

BOOK POST



A SURESH G KARE Enterprise



CONSTANTLY EVOLVING...CONSISTENTLY EXCELLING...



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Annual Report  
2006-2007



## PERFORMANCE HIGHLIGHTS FOR THE LAST 5 YEARS

2007

- Joint-Venture with Amneal Pharmaceuticals Inc. (USA) to manufacture and market ophthalmic products in the US market
- ANVISA-BRAZIL approval for solid dosage facility at Goa Plant-I
- WARREN-EXCEL and SPERA, 2 specialty marketing divisions launched
- Commencement of exports to the regulated US market

2006

- Set up of world class, state-of-the-art R & D centre at Rabale, Mumbai
- Acquisition of LaNOVA Chem Ltd, an API manufacturing facility
- MHRA-UK re-approval for solid dosage facility at Goa Plant-I
- MHRA-UK approval for ointment and cream facility at Goa Plant-I
- Contract for supply of generic products to Germany
- Darmstadt-Germany approval for solid dosage facility at Goa Plant-I
- 2 Abbreviated New Drug Applications (ANDAs) filed with US-FDA
- Commencement of liquid manufacturing facility at Baddi, Himachal Pradesh
- SURGE, a specialty marketing division launched

2005

- Shares of the Company listed on the BSE and NSE
- First Abbreviated New Drug Application (ANDA) filed with US-FDA
- US-FDA approval for ophthalmics facility, Plant-II in Goa

2004

- 'Karvol' brand acquisition from Solvay Pharmaceuticals Pvt.Ltd.

2003

- Commencement of exports to the regulated markets of Europe
- MHRA-UK approval for solid dosage facility at Goa Plant-I

2002

- State-of-the-art sterile manufacturing facility, Plant-II commissioned in Goa
- Radius, a speciality marketing division launched



SEMI-REGULATED MARKETS				REGULATED MARKETS
SRI LANKA	ALGERIA	ZAMBIA	UKRAINE	SOUTH AFRICA
MYANMAR	EGYPT	MALAWI	AZERBAIJAN	BULGARIA
VIETNAM	TOGO	ZIMBABWE	RUSSIA	UNITED KINGDOM
MALAYSIA	JORDON	TANZANIA	BELARUS	SLOVENIA
THAILAND	BENIN	UGANDA	MOLDOVA	SPAIN
PHILLIPINES	LIBERIA	ETHIOPIA	BOLIVIA	ROMANIA
PAPUA NEW GUINEA	KENYA	SUDAN	TRINIDAD	UNITED STATES OF AMERICA
MALDIVES	GHANA	BOTSWANA	PERU	GERMANY
MACAU	IVORY COAST	YEMEN	GUATEMALA	NEW ZEALAND
			COSTA RICA	BRAZIL

**Sale Harbour**  
 Statements made in this Annual Report describing the Company's objectives, projections, estimate, expectations may be "Forward-looking statements" within the meaning of applicable securities laws & regulations. Actual results could differ from those expressed or implied. Important factors that could make a difference to the Company's operations include economic conditions affecting demand supply and price conditions in the domestic & overseas markets in which the company operates, changes in the government regulations, tax, laws & other statutes & other incidental factors.

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Dear Fellow Shareholder

These are exciting times. India's economy is on the fulcrum of an ever-increasing growth curve. With positive indicators such as a robust 9.4 per cent growth in the GDP, benign inflation (less than 3.5 per cent), rising income levels thereby causing healthy demand for goods and services, robust corporate investments, ever-expanding forex reserves and a vibrant capital market, the Indian economic growth engine remains in top gear. With an average GDP growth rate of over 9 per cent, ours is, today, the second fastest growing economy in the world.

Growth during 2006-07 was primarily led by the manufacturing sector. This is reflected in the buoyant 11.7 per cent growth recorded by the Index of Industrial Production (IIP), driven mainly by a robust 12.7 per cent jump in the manufacturing index.

#### At INDOCO...

Keeping pace with this overall positive trend, Indoco too recorded an impressive performance for the year 2006-07. Revenues earned during the year amounted to Rs.34,443 lakhs, 28 per cent more than those earned during the corresponding period a year ago. A healthy expansion in the top line was well complemented by a robust growth in profits. At the net level, they were up by 34 per cent to Rs.4,204 lakhs.

The performance for fiscal 2006-07 was largely driven by exports, which recorded an increase of 62 per cent to Rs.7,002 lakhs, accounting for 20 per cent of the total sales as against 16 per cent in the fiscal 2005-06. The growth in exports emanated from buoyancy in the formulations business as well as surge in volumes of APIs.

Fiscal 2006-07, was also a landmark year as

regards strategic initiatives that were well supported by investments in setting up new facilities and strengthening Indoco's R&D capabilities. My dear fellow shareowner, these are seeds of our future growth.

We invested heavily in augmenting the infra-structural facilities in 2006-07. The formulations manufacturing facility at Baddi in Himachal Pradesh was expanded by commissioning a liquid manufacturing block. Further, the Formulations Development and Analytical Research Departments at the newly commissioned state-of-the-art R&D facility at Rabale near Mumbai, were significantly enhanced to add capabilities for Novel Drug Delivery Systems (NDDS). We now have over 100 scientists working at this R&D centre. I am confident that these additional facilities will go a long way in aiding your company's growth and development.

#### On the Domestic Front...

Indoco's strong presence in the domestic market was accentuated with the launch of SPERA, a new marketing division. This is the Company's sixth marketing division. I am confident that along with the existing divisions: Indoco, Spade, Radius-Surge, Warren and Warren-Excel, it will contribute substantially to the Company's domestic sales and its overall growth in the forthcoming years. Through specialty divisions, your company has managed to reach a wider range of doctor specialties, thus ensuring a good development of its brands and new products.

#### And Internationally...

The tie-up with AMNEAL, a US based generic company, for developing and marketing ophthalmic products is a huge stepping stone towards establishing Indoco's presence in the international arena. The joint venture, I believe, will propel your company's efforts in carving a

niche for itself in the highly regulated, but significantly lucrative US market. Notably, your company is among the very few in India to have a US-FDA approved ophthalmics plant, giving it a substantial head-start vis-à-vis Indoco's domestic peers.

Another big achievement on the international front has been the coveted ANVISA approval from Brazil for the Company's manufacturing facility at Goa. Also, during the year, Goa Plants I & II were inspected by the South African authorities and the MCC approval is eagerly awaited. These developments will provide your company's international business greater momentum in the years to come.

Indoco prides itself on having a dedicated and hard-working workforce. Your company's success would not have been possible without the continued efforts of its 2719 employees.

Finally, I would like to extend my gratitude to our customers, bankers, vendors and above all, our shareholders for reposing their faith in us. We shall strive hard to live up to and exceed the expectations in times to come.



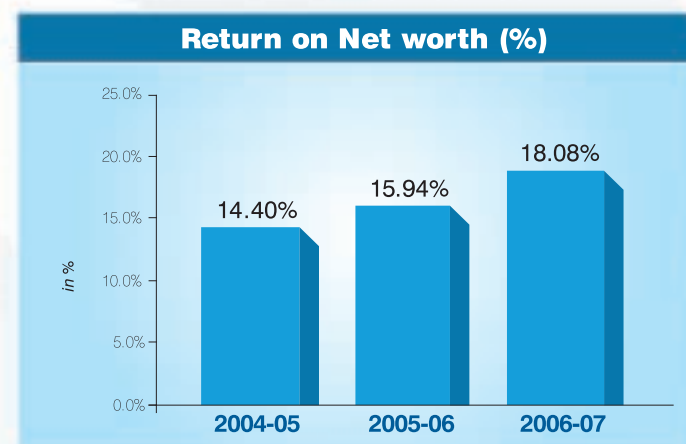
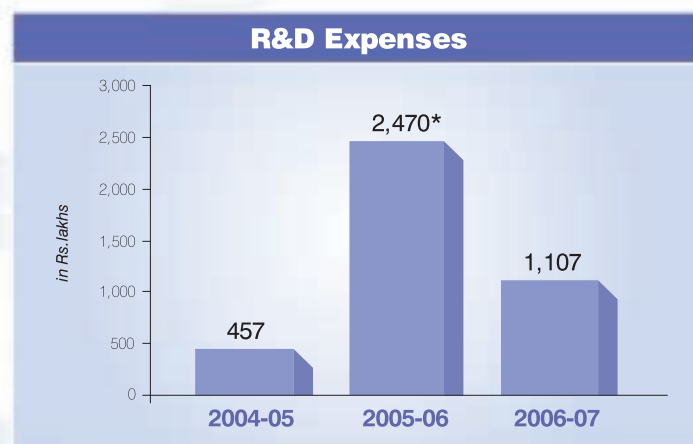
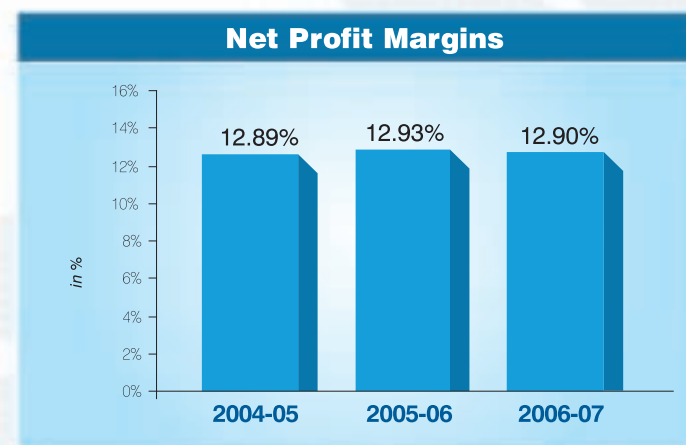
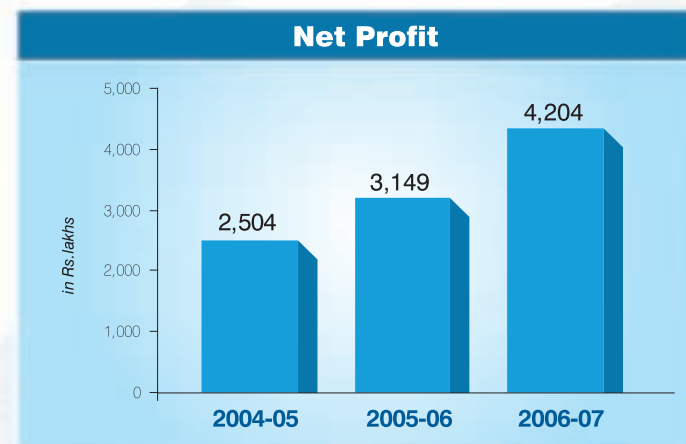
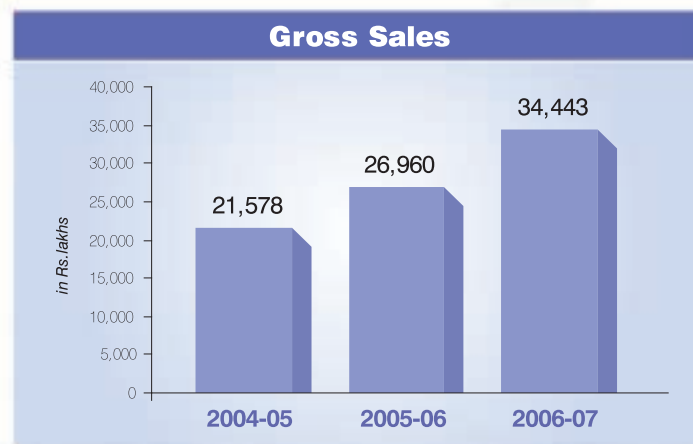
**SURESH G. KARE**

*Chairman & Managing Director*



PERFORMANCE REVIEW

ANNUAL REPORT 2006-2007



\* Includes investment on setting up of R&D centre.



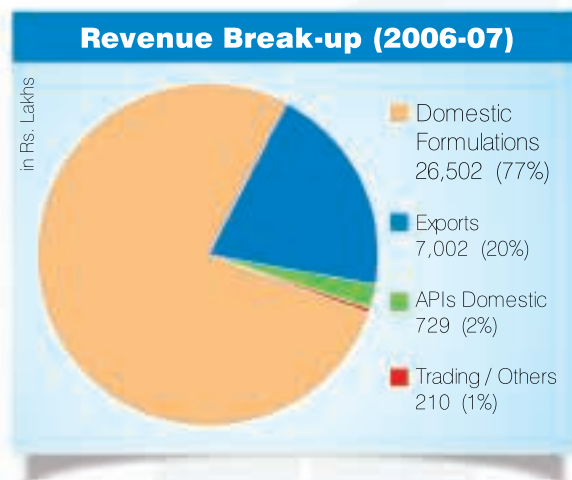
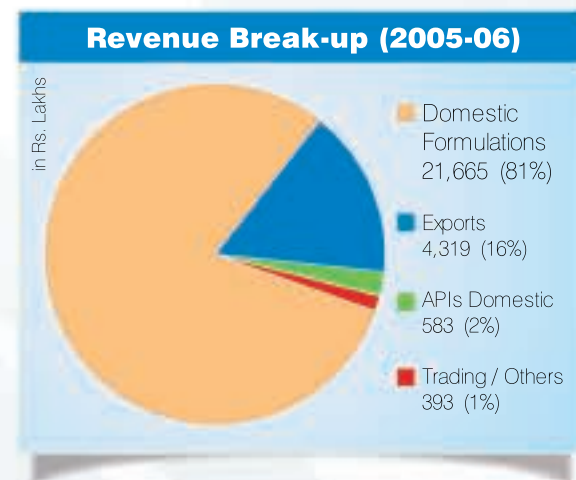
CONSTANTLY EVOLVING... CONSISTENTLY EXCELLENCE...



## OUR BUSINESS - A Bird's Eye View

Indoco Remedies operates in the three segments mentioned below:

- **Formulations** - Domestic & International
- **APIs**
- **Contract Research and Development**



### FORMULATIONS - Domestic Market

- **Strong Presence...**

#### Lifestyle Drugs to accelerate growth

Indoco Remedies has traditionally focused on the domestic formulations market and developed a diversified product portfolio that covers a wide range of therapeutic segments. As on 30th June 2007, the domestic formulations segment accounted for 77 per cent (Rs.26,502 lakhs) of the Company's total revenues.

Some of the therapeutic segments where Indoco has a strong presence are-alimentary, respiratory, anti-infective and stomatology (diseases relating to the mouth). Together these four segments account for close to 65 per cent of the total domestic formulations sales.

	(Rs.lakhs)		
	FY06	FY07	% growth
Anti-infective	3627.4	5200.5	43.4%
Respiratory & Anti-Allergy	4454.1	5064.7	13.7%
Dental	2963.9	3451.7	16.5%
Alimentary Systems	2763.9	3413.1	23.5%
Nutrition	1192.8	1688.7	41.6%
Dermatology	1357.7	1425.9	5.0%
Anti-Diabetic	1190.9	1416.9	19.0%
Ophthalmic	1149.9	1366.5	18.8%
Analgesics & Antipyretics	848.6	1069.4	26.0%
Cardiovascular System	930.5	1042.8	12.1%
Urinary	529.6	662.6	25.1%
Anti-Hemorrhagics	331.0	320.9	-3.0%
Musculo-Skeletal Disorders	190.6	195.2	2.4%
Ear	134.5	183.0	36.1%
	21665.4	26501.9	22.3%

Over the past few years, lifestyle diseases such as heart ailments, asthma, diabetes, hypertension, and obesity among others, have spread rapidly. The primary cause for the same is rapidly rising income levels, stress and changing lifestyles that typically involve high intake of fast food and low physical exercise.

According to a CII-McKinsey study, this segment is likely to overtake infectious diseases in the next few years. With a view to tapping this opportunity, Indoco Remedies recently forayed into the lifestyle drugs market. Noteworthy is the fact that lifestyle drugs accounted for close to a 90 per cent share in new product launches in **FY06 (23 new products) and FY07 (25 new products)**. Thus, with an increased thrust, the lifestyle segment has fared well in the past three years. It accounts for a fair share in Indoco's overall revenues now and also continues to be among

the fastest growing segments within the Company's overall product portfolio.

- **Focus on Brand-Building ...**

India is home to over 15,000 pharmaceutical companies. Given the kind of fragmentation (leading to increased generic competition & a plethora of 'me-too' product launches) prescription sales are becoming increasingly difficult. As a result, it is imperative for any pharmaceutical company to build customer loyalty, either at the customer level (in case of OTC drugs) or doctors (in case of prescription drugs). Higher customer loyalty will eventually ensure long term growth and profitability. **As a part of its overall strategy for the domestic market, Indoco Remedies has remained focused towards building brands. Its success in this endeavour is well reflected in the strong brands that the company possesses .**





The Company's primary brands include:

Brand	Value (Rs.Lakhs)	% growth
Febrex Plus	3094	20.25%
Cyclopam	2605	23.95%
Vepan	2042	21.45%
Sensodent	1598	14.82%
ATM	1370	28.35%

Not only do these brands contribute significantly to Indoco's top line but also command a substantial market share in the domestic market. Some of Indoco's brands like Cyclopam, Febrex Plus and Vepan are brand leaders with market shares ranging from 12 to 50 per cent in their respective segments.

Further, the emergence of the new product patent regime has reduced the scope of new product launches (especially for Indian drug companies), making it even more important for domestic pharmaceutical companies to own and develop stronger brands from their existing stable.

Thus, Indoco's brands promise to keep the Company in good stead.

**Stream-lined Marketing Network...**

As a part of its overall marketing and distribution strategy, Indoco undertakes its domestic business under different marketing divisions with a focus on certain therapeutic segments and the concerned doctors and practitioners therein.

**Operating separate divisions ensures greater focus and a wider coverage of doctors, thereby increasing prescription support for the Company. As per the ORG-IMS Prescription Audit 2007, which takes into account the number of prescriptions generated by doctors, Indoco is ranked 21st in the country.**

Currently, the Company has six marketing divisions, each focusing on a set of products and doctors.

**Indoco**, the parent division, focuses on General Practitioners (GPs), Consulting Physicians (CPs), gynaecologists, and pediatricians for lifestyle, antibiotic and volume building products.

**SPADE** division focuses on GPs, CPs, gynaecologists and pediatricians for antibiotic and anti-cold products.

**SURGE-Radius** is a division that covers diabetologists, cardiologists, general surgeons and orthopaedicians and has a set of chronic therapy products like diabetic and cardiac products as well as acute therapy products like analgesics and antibiotics.

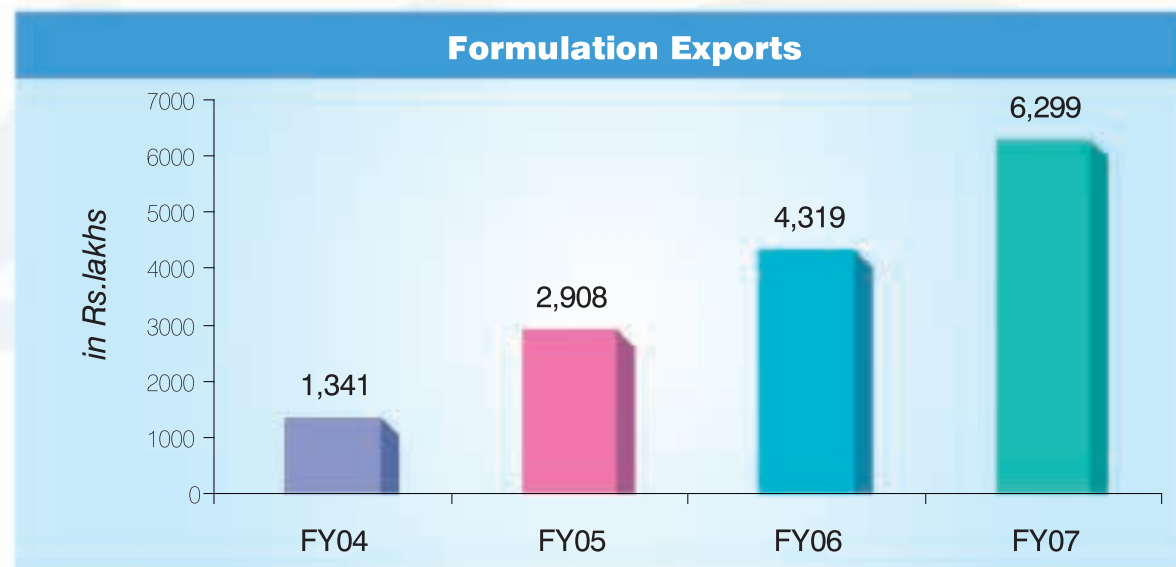
**warren** markets dental products and primarily caters to dentists and general practitioners.

**warren excel** a recently launched division, focuses on the ophthalmic segment. It has started its operation in Southern India and is currently being expanded for a pan-India presence.

**SPERA** is another newly launched division, whose presence is currently restricted to the western and the southern parts of the country. This division which will aid Indoco spread its reach in the aforesaid markets further, is aimed at GPs, gynaecologists, pediatricians, and CPs.

**FORMULATIONS - Export Market**

Indoco's presence in the export market is growing at a faster clip, led primarily by the regulated markets of Europe, USA and South Africa among others. Exports of formulation drugs to these markets have grown at an average rate of 67.5 per cent over the last three years ended June, 30 2007. As a percentage of total sales, they now account for 18.3 per cent as against a mere 7.5 per cent share in total revenues in FY04.



Today, Indoco has a presence in 33 countries and owns brands that are registered in various international markets. The Company caters to both, the regulated (such as those mentioned above) and the semi-regulated markets like Bangladesh, Bolivia, China, Sri Lanka, Kenya and Yemen among others.

The Company's strategy in this segment is to undertake contract manufacturing for overseas companies. Further, the Company is also looking to leverage incremental innovation and provide cost competitive alternatives in off-patent generic products to partners who in turn will provide front-end access to Indoco. Currently, Indoco is involved in contract manufacturing of solid dosage forms for various European companies.

**US OPHTHALMOLOGY MARKET – A big opportunity...**

Given its strength in the Ophthalmology segment, Indoco has identified this segment as its key driver in the highly lucrative US generics market.

**The Company is planning to launch 10 high quality generic products in the US market over the next five years, the current estimated size of which is around US\$ 1 billion.** Of the three Abbreviated New Drug Applications (ANDAs) filed already, Indoco received the approval to market Ciprofloxacin drops early this year, supplies for which have already begun.

Notably, only a few pharma companies in India are present in the ophthalmics segment given the relatively small size of the overall market, both here in India and in the US. **Importantly, Indoco is amongst the few that has a US-FDA approved ophthalmics plant.** This is a significant advantage given that manufacture of ophthalmic generics requires 'dedicated' sterile facilities, an investment that not many companies in India are equipped to make.

In order to optimally tap the US market, Indoco will tie-up with local generic companies that will take care of marketing and distribution of ophthalmic products in the country.

A N N U A L R E P O R T 2 0 0 6 - 2 0 0 7

C O N S T A N T L Y E V O L V I N G . . . C O N S I S T E N T L Y E X C E L L I N G . . .



## JV with Amneal Pharmaceuticals

In a major development, post the closure of fiscal 2006-07, Indoco entered into a joint venture agreement with a US-based generic company – Amneal Pharmaceuticals. The partnership between the two companies entails development, manufacture, marketing and distribution of several products in the US market.

The initial product pipeline will include at least ten ophthalmic products (to be launched over the next five years), several of which have already progressed substantially through the development process.

As per the JV, Amneal will be required to prepare and file ANDAs for US-FDA approval via the 'eCTD / QBR / QOS' process, maintain FDA and regulatory agency documentation as well as to exclusively sell, market and distribute products (developed and supplied by Indoco) throughout the US market.

Further, as per the JV, Indoco and Amneal would equally share both, the costs as also the profits.

## APIs or ACTIVE PHARMACEUTICAL INGREDIENTS

Active Pharmaceutical Ingredients (APIs), also known as bulk drugs are the building blocks of the pharmaceutical industry. India's cost advantage and the fact that outside of USA, it probably has the most FDA-approved pharmaceutical plants, gives it the cutting edge over most of its other Asian peers. India is thus today, a fast emerging destination for API production globally.

Having created a strong presence in the formulations (finished dosage forms) market, Indoco is now looking to backward integrate into API production. The strategy is to gradually move up the value chain, i.e. from being a 'contract manufacturer of finished dosage forms' to be a 'complete solutions provider'. This will allow Indoco to exercise complete control on the supply chain and emerge as a preferred partner for global companies.

**To boost its presence in this segment, Indoco acquired LaNOVA Chem, an API manufacturer, for Rs.1,793 lakhs in July 2006.** The manufacturing facility at Patalganga, near Mumbai, enables Indoco to produce APIs in the fast-emerging cardio-vascular and anti-diabetic segments and also to export these to some of the semi-regulated markets.

Indoco is seeking to get an FDA approval for this plant. Further, the Company has also set-up an R&D Centre at Rabale near Mumbai, which primarily targets API synthesis and development, and is also equipped with a Kilo Manufacturing facility.

For the year ended June 30, 2007, Indoco's API business grew by a phenomenal 146 per cent to Rs.1,432 lakhs and accounted for 4.1 per cent of its overall revenues. The aforesaid acquisition (LaNOVA Chem) and the concurrent setting up of the R&D facility have created a strong foundation for Indoco for future growth in the fast-emerging API business.



API Manufacturing Facility, Patalganga

## CONTRACT RESEARCH and DEVELOPMENT

Research outsourcing in the pharmaceutical space is set to expand rapidly over the next few years, thanks to India's adoption of the product patent regime. Compliance with TRIPS and other legislations provides an edge to India as a potential destination for contract research and manufacturing where global partners in research can stride without fearing loss of intellectual property rights.

A report by a global research firm Frost & Sullivan has estimated that the pharma outsourcing business in India will grow to around US\$7 billion (Rs. 28,700 crore) by 2013. On account of prolonged drug discovery development times, complex regulatory processes, spiraling R&D expenditures, shorter product life cycles and competition, global pharma majors will be looking to outsource research to more economic and knowledge-based destinations like India.

With unparalleled skills in New Chemical Entity (NCE) development and Novel Drug Delivery Systems (NDDS), the rich pool of the Indian scientific community offers major cost and technical advantages.

Indoco's Contract Research and Development division can be segregated into Formulations Development and Analytical Method Development. The Company's R&D skills are used for both, in-house drug development and also to undertake contract research activities.

Another fast emerging opportunity in this segment is the preparation of formulation dossiers. Given the Company's expertise in the formulations market and its strong R&D skills, Indoco fits the bill for drug development companies to outsource preparation of dossiers that are required for the registration of products in European countries.

## R&D – An Initiative for the Future...

Indoco Remedies has identified R&D as a high priority area for driving growth. **This is evident from the sprawling research centre set up by the Company over an area of 70,000 square feet with state-of-the-art equipments and latest databases. The centre is located in Rabale near Mumbai and is designed to accommodate more than 200 scientists and technical personnel.**

Globally, drugs worth US\$70 billion would be going off-patent by 2011 and Indian companies providing contract manufacturing services are expected to garner approximately 30-40 percent of this opportunity.

To tap these emerging opportunities, Indoco is focusing on the development of non-infringing chemical synthesis processes for potential APIs going off-patent in the regulated markets. This will facilitate associations between Indoco and global players in the CRAMs business segment.



R & D Centre, Rabale



## OUR INFRASTRUCTURE - Our Base

The Company believes that its infrastructure in terms of approved facilities and plants forms the foundation for a successful journey, especially into the regulated markets. In line with this belief, it has set up world class manufacturing plants across India.



### MANUFACTURING FACILITIES - Formulations

#### GOA PLANT - I

Goa Plant I manufactures tablets, creams, capsules and liquid orals.

##### Features :

- Equipped with a vertical flow system, monolithic flooring, fully air-conditioned RM and FG stores.
- A separate Pilot Plant.
- Facility to manufacture Aqueous, Non-aqueous and Photosensitive products.
- HVAC system that maintains Relative Humidity to 40% +/- 5%.

##### Regulatory Approvals

- Approved by MHRA-UK for tablets, creams and capsules and by Darmstadt Germany for solid dosages.
- Approved by Brazilian food and drug agency, ANVISA for solid dosage facility.
- WHO-GMP approval.

#### Dosages manufactured and their Annual capacities:

- Tablets : 3 billion ■ Capsules : 60 million ■ Liquid Orals : 31 million bottles
- Creams & Ointments : 15 million tubes

#### GOA PLANT - II

Goa Plant II is a state-of-the-art, sterile plant that manufactures ophthalmics and injectibles.

##### Features :

The Plant has been designed with a sophisticated internal environment monitoring system using PC based system to monitor and control parameters like temperature, humidity, pressure difference, particulate count and safety aspects. The design of the plant is modular.

##### Regulatory Approvals

- US-FDA approved

#### Dosages manufactured and their Annual capacities:

- Ampoules : 44 million ■ Vials / bottles : 25 million

#### BADDI PLANT (Himachal Pradesh)

Indoco has set up a Greenfield Manufacturing unit in Baddi, Himachal Pradesh at a cost of Rs. 3000 lakhs. This plant manufactures tablets, liquid orals, creams, ointments and toothpaste.

The new facility supports the Company's growing formulations requirements for domestic as well as international business.

#### WALUJ

The plant located in Waluj, Maharashtra manufactures tablets and liquid orals.

The plant exclusively caters to the semi-regulated markets of Africa, Latin America, Asia and the CIS countries.



Plant I - Goa



Plant II - Goa



## MANUFACTURING FACILITIES - Active Pharmaceutical Ingredients (API)

Indoco acquired LaNOVA Chem for strengthening its presence in the API space and emerging as a 'complete solutions provider'. The plant is situated in the industrial area at Patalganga - near Mumbai.

The layout and material handling is designed to meet US-FDA, EDQM and CGMP Standards.

This is a multipurpose reactor capacity from 500 Litres to 5000 Litres.

### Reaction Capabilities:

- Esterification
- Oxidation
- Condensation
- Diazotisation
- Nitration
- Reduction
- Sulphonation
- Alkylation
- Hydrogenation
- Epoxidation
- Acylation
- Halogenation
- Amidation
- Hydrolysis

## PILOT PLANTS

### API Kilo Manufacturing Facility

Indoco has an API Kilo Manufacturing facility in Rabale, which is built as per regulatory requirements of US-FDA and EDQM.

The Kilo Manufacturing facility is a prototype of the API plant in the scale 1:10, that will facilitate a smooth technology transfer from R&D to plant and also service availability of small volume API's for our Ophthalmic and Topical product ANDA's.



### Pilot Plant Facility, Goa

The Pilot Plant is situated at the Company's solid oral facility, Plant I in Goa. This solid oral facility is spread over a built-up area of 11,600 sq.mts. The plant has a manufacturing area with relative humidity upto 45 per cent that takes care of life sensitive product. It also handles aqueous and non-aqueous coating.

The major feature of this facility is its Pilot Plant (US-FDA approvable). The machinery and equipment in the Pilot Plant are prototype of the ones installed in the R&D facility in Mumbai and the main manufacturing area. This helps for scale-up from the R&D stage. The Pilot Plant is also useful for manufacturing exhibit/validation batches, so also high value products, which are usually required in small batches.

The Pilot Plant has been approved by MHRA-UK, Darmstadt-Germany and ANVISA-Brazil.

Batch sizes of 15 to 60 kgs. can be undertaken at the site.





**N U M B E R S   S P E A K**
**B E Y O N D   T H E   N U M B E R S**
*(Rs.Lakhs)*

	2004-05	2005-06	2006-07
<b>OPERATIONAL REVIEW</b>			
Gross Sales	21,578	26,960	34,443
Less : Excise Duty	2,163	2,617	1,844
Net Sales	19,415	24,343	32,599
PBDITA	4,115	4,896	6,346
Depreciation	434	632	903
Interest	203	357	509
PBT	3,665	4,296	4,661
PAT	2,504	3,149	4,204
<b>FINANCIAL PARAMETERS</b>			
Net Fixed Assets	8,328	13,899	16,707
Capital Work in Progress	1,286	455	168
Investments	4,008	634	-
Net Current Assets	9,721	10,141	11,998
Total Assets	23,343	25,129	28,873
Net Worth	17,391	19,750	23,249
Borrowings	4,976	3,626	3,555
Deferred Tax Liability	976	1,753	2,069
Total Liabilities	23,343	25,129	28,873
<b>MARGINS &amp; RATIOS</b>			
PBDITA Margins (%)	21.19%	20.11%	19.47%
PAT Margins (%)	12.89%	12.93%	12.90%
Debt-to-Equity (times)	0.28	0.18	0.15
Interest Cover (times)	19.05	13.03	10.16
Return on Net worth (%)	14.40%	15.94%	18.08%
Return on Capital Employed (%)	10.72%	12.53%	14.56%

**Portfolio of Branded Drugs**

Given the highly fragmented nature of the Indian pharmaceutical industry and with the recent adoption of the product patent regime (whereby new product launches will be limited), it is imperative for domestic drug companies to own and develop strong brands from the existing basket. Indoco, as a part of its overall business strategy, has always been focused on brand-building and today owns some of the leading brands such as Cyclopam, Febrex Plus, ATM, Vepan, Sensodent, etc.

**JVs to Ensure Faster Growth**

With a view to tap overseas markets aggressively without significant capital infusion, Indoco is constantly on the lookout for marketing and distribution partners in these markets. Given that marketing and distribution of pharmaceutical products is very specialized in most regulated markets, JVs with local companies ensure that Indoco can continue concentrating on its core strengths, i.e. developing and supplying formulations.

**Marketing & Distribution Units**

In order to widen and create an effective reach among doctors and practitioners, Indoco operates its business under the aegis of various strategic marketing units. These units focus on certain therapeutic segments and the concerned practitioner or doctor therein. This model allows the Company to achieve greater focus and also ensures higher coverage for its marketing team, leading to incremental growth in sales.

**International Reach with Minimal Currency Risk**

The rapid appreciation in the Rupee rate versus the US Dollar has been a major cause of worry for most export-oriented companies in India. Most companies in sectors like apparels, IT and pharmaceuticals have been adversely affected. Exports account for around 20% of Indoco's total revenues and are growing at a rapid clip. However, currently, most of these accrue from the European markets; as a result, Indoco is not likely to be adversely affected by the Rupee appreciation.

**Approved Plants**

Indoco is among the very few companies in India to have a US-FDA approved ophthalmics manufacturing plant. Since getting a US-FDA approval takes anywhere between 3-5 years, the Company seems to have an early-mover advantage in this space, something that it can now leverage actively. The recent tie-up with a US-based marketing and distribution company is an important step towards the same.

The Company is also planning to file for a US-FDA approval for its APIs manufacturing plant, in order to scale up the export side of the API business.





Standing left to right :  
Sundeep V. Bambolkar, F. X. Coutinho, Aditi Kare Panandikar

Sitting : Suresh G. Kare

#### SURESH G. KARE

Suresh G. Kare is the **Chairman & Managing Director** of Indoco Remedies Ltd. He has been at the helm of the Company's affairs for forty-four years and is responsible for its transformation from a small sick unit in 1963 to the global, fast growing, profitable organization that it is today. Suresh G. Kare has a technical background and is recognized for his leadership and vision. He is a multi-faceted personality whose love for arts, sports and social service complements his strong business acumen. Under his stewardship, Indoco has achieved innumerable milestones. Suresh G. Kare's four decades of pharmaceutical experience is the key to the Company's fast paced growth in the domestic and international arena. He is also the immediate Past-president of the Indian Drug Manufacturers' Association (IDMA).

#### F. X. COUTINHO

F. X. Coutinho is the **Director - Marketing** at Indoco. He has been with the Company since 1975 and has a vast experience in the field of pharma sales and marketing. He heads Indoco's 1600 strong marketing force and is the man behind the Company's innovative and dynamic marketing strategies. F. X. Coutinho has a background in science and a degree in management from the Mumbai University.

#### SUNDEEP V. BAMBOLKAR

Sundeep V. Bambolkar is the **Director - Finance & Operations** at Indoco. He is a science graduate and holds a Master's degree in Business Administration from the Mumbai University. He has also trained in the field of management at the Indian School of Business, Hyderabad and the Kellogg School of Business, Chicago, USA. Sundeep V. Bambolkar has been with the group since 1982 and has over two decades of experience in the field of finance and operations.

#### ADITI KARE PANANDIKAR

Aditi Kare Panandikar is the **Director - Business Development & HRD** in the Company. She heads the Business Development Team and has played a pivotal role in establishing in the Company's presence in the overseas markets. She also heads the Company's R&D and API departments. Aditi Kare Panandikar is a pharmacy graduate and holds a Master's degree in Business Management from the Ohio State University, USA. She has been with Indoco for over a decade and is experienced in technical and human resource fields.



## NON EXECUTIVE DIRECTORS

Name	Academic Background	Professional Background
<b>Dr. M. R. Narvekar</b>	Master's Degree in Gynaecology	A leading Gynaecologist, he is actively involved in social work.
<b>D. M. Sukthankar</b>	Master's Degree in Commerce IAS	He has held eminent positions in different departments of the Govt. of Maharashtra and GOI for three and a half decades.
<b>D. N. Mungale</b>	Bachelor of Commerce Bachelor of Law	An Associate Member of ICAI, he is a Strategic Consultant. He has been associated with organizations like Bank of America & DSP Merrill Lynch and various government organizations.
<b>D. M. Gavaskar</b>	Chartered Accountant Company Secretary	He has held eminent positions in Johnson and Johnson and Abbot India and has also received the President's citation from Abbot Labs USA in 2001 & 2002.
<b>Atul S. Rajadhyaksha</b>	Bachelor's Degree in Arts Bachelor of Laws Master of Laws (London)	He specializes in Commercial Laws and Administrative Law and has advised clients across the globe. He has also acted as a member of International Arbitral Tribunal.
<b>Rajiv P. Kakodkar</b>	Bachelor of pharmacy MBA	He brings to the table his vast experience in international business in the pharmaceutical field. His area of expertise includes Indenting and Sourcing for pharmaceutical global and domestic businesses.

## T Ê T E - À - T Ê T E



**In a free-wheeling interview,**  
**Aditi Kare Panandikar**  
*(Director - Business Development & HRD)*  
**offers key insights into**  
**Indoco's Overall Strategy**  
**& Operations:**

**Q** Of the three segments mentioned (formulations, APIs and Contract Research & Development), which do you think will be the primary growth driver for Indoco's revenues hereon?

**A** Formulations will be the primary growth driver for Indoco whereas the other two divisions, i.e. the APIs and Contract R&D will mainly support the former. This primarily means that APIs produced by us will be used for captive consumption over a period of time to ensure better realizations, dependability in terms of supply of raw materials and control over quality. Similarly, our ever expanding R&D skills will also be captively consumed giving priority to our own dossiers. However, as a secondary function, the API and the CRAMs divisions will also generate revenues by the side through sale of APIs and contract research services.

**Q** Has US-FDA approval been sought for your Patalganga (part of the LaNOVA acquisition) facility? What is the status?

**A** We were waiting for the amalgamation of LaNOVA with Indoco. Having received the Court's approval, we are now progressively working towards getting the manufacturing and other existing licences of the LaNOVA facility transferred to Indoco. Following this transfer, we will be filing our first drug master file with the US-FDA, which will most probably be before the end of this calendar year. The Abbreviated New Drug Application (ANDA) will follow soon, necessitating the FDA inspection of our facility.

**Q** Marketing & distribution costs are significantly higher in the western markets, especially that of the US. Since, your JV requires the overseas partner to undertake these; does it also mean that their share of profits will also be accordingly higher than Indoco's? Please elaborate.

**A** Both partners have recognized and respected the manufacturing overheads on Indoco's side and marketing and distribution cost on the US partner's side. While Indoco



will be paid for the product cost with 10% manufacturing overheads, the partner will be entitled to marketing and distribution cost of 10%. The profits after adjusting these expenses will be shared equally.

**Q** What are the entry barriers in the ophthalmics segment, where Indoco's presence is quite strong as of now?

**A** The major entry barriers for the ophthalmics segment are technical skills to build and run a sterile facility. Equally important is the capability to get such a facility approved by the US-FDA. The availability of in-house APIs and the formulation development skills also act as barriers in the ophthalmics segment. At Indoco, we have overcome each of these barriers and are significantly ahead of our domestic peers, which in turn has given us the confidence to enter the highly lucrative US market in a big way.

**Q** What kind of growth plans do you have for your R&D facilities?

**A** Currently, we have employed 100 scientists and have plans to recruit 100 more. This will enable us to exploit the resources within our R&D facility completely. And with 200 scientists, we will be able to take up more projects for in-house Dossier Development and Contract Research services from overseas customers.

We have started seeking opportunities for building blocks in the New Chemical Entity (NCE) segment through contracts with innovator companies. This will give us some insight on NCE development and we will expand our R&D initiatives in that direction.

**Q** Please provide us with details of the Dossier Development initiative? What does Indoco Remedies do in this and what's the addressable market size?

**A** We have a ready pipeline of CTD dossiers and have contracted with a Contract Research Organization (CRO) for conducting the bioequivalence studies for these dossiers. We will undertake complete formulation development, analytical method development, validation batches and compilation of the CTD dossiers.

It is difficult to assess the market size for this business; however, we expect to sell at least 10-12 dossiers of each product to different customers in Europe, which will be backed by a supply agreement too. This will give us sizeable revenue through sale of dossiers, coupled with a continuous flow of revenue through sale of finished products (formulations).

**Q** Finally, what is the management's vision for Indoco and what kind of financial size does the Company aspire for over the next five years?

**A** We aspire to become a Rs.1000 crore company by revenues by FY2010. Given the tireless efforts of each and every member of the Indoco family, we are quite confident of achieving the same.



## INDOCO REMEDIES LIMITED

INDOCO HOUSE, 166 CST ROAD, KALINA, SANTACRUZ (E), MUMBAI - 400 098.

### Notice

Notice is hereby given that the Sixtieth Annual General Meeting of INDOCO REMEDIES LIMITED will be held at MIG Cricket Club, MIG Colony, Bandra (East), Mumbai - 400 051 on Saturday, the 22nd December, 2007 at 10.00 am to transact the following business :

#### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Profit and Loss Account for the year ended June 30, 2007 and the Balance Sheet as at that date together with the Reports of the Board of Directors and Auditors thereon.
2. To declare a dividend on Equity Shares.
3. To appoint a Director in place of Mr. Dattatraya M. Sukthankar, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. Madhukar R. Narvekar, who retires by rotation and being eligible, offers himself for re-appointment.
5. To appoint a Director in place of Mr. Divakar M. Gavaskar, who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint Auditors to hold office from the conclusion of this meeting until the conclusion of the next Annual General Meeting, and to fix their remuneration.

#### **SPECIAL BUSINESS**

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution :

"RESOLVED THAT Mr. Rajiv P. Kakodkar who was appointed an Additional Director of the Company by the Board of Directors with effect from 26th April, 2007 under section 260 of the Companies Act, 1956 and Article 136 of the Articles of Association of the Company and who holds office up to date of the forthcoming Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation."
8. To consider and if thought fit, to pass with or without modification(s), the following resolution as an Ordinary Resolution:

"RESOLVED THAT Mr. Atul S. Rajadhyaksha who was appointed an Additional Director of the Company by the Board of Directors with effect from 26th April, 2007 under section 260 of the Companies Act, 1956 and Article 136 of the Articles of Association of the Company and who holds office up to date of the forthcoming Annual General Meeting and in respect of whom the Company has received a notice from a member proposing his candidature for the office of Director, be and is hereby appointed a Director of the Company liable to retire by rotation."

#### **Notes :**

1. An Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956 relating to item Nos 7 and 8 of the Notice, is annexed hereto.
2. A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE (ON A POLL ONLY) INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER. PROXIES IN ORDER TO BE EFFECTIVE MUST BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LESS THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.



## Notice (contd.)

3. The Register of Members and Transfer Books of the Company will remain closed from Saturday, 15th December, 2007 to Saturday, 22nd December, 2007 (both days inclusive).
4. The dividend as recommended by the Board, if sanctioned at the Meeting, will be paid to those members whose names appear on the Company's Register of Members on 22nd December, 2007. In respect of shares held in electronic form, the dividend will be payable to the beneficial owners of shares as at the end of business hours on 22nd December, 2007 as per details furnished by the Depositories for the purpose. The dividend will be paid on and from 24th December, 2007.
5. Members are requested to intimate change of address, if any, to the Registrars immediately.
6. Members may please note that pursuant to sections 205A(5) and 205C of the Companies Act, 1956 the unclaimed/unpaid dividends upto financial year 1998-1999 have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government. The dividends for the financial year 1999-2000 and thereafter, which remain unpaid or unclaimed for a period of 7 years from the date they became due for payment will be transferred by the Company to IEPF as required by statute. Members who have not yet encashed their dividend warrant(s) are requested to write to the Registrar & Share Transfer Agents of the Company i.e. M/s Intime Spectrum Registry Limited immediately for claiming outstanding dividend.
7. Members desirous of getting any information, on the accounts and operations of the Company, may please forward their queries to the Company at least seven days prior to the Meeting so as to enable the Company to provide appropriate response thereto, at the Meeting.
8. Facility of nomination is now available and members holding shares in physical form may obtain Nomination forms from the company's Registrar & Share Transfer Agents. Members holding Shares in electronic form may obtain nomination forms from their respective Depository Participants.

By order of the Board

**JAGDISH B. SALIAN**

*Company Secretary*

Place : Mumbai  
Date : October 18, 2007



## Annexure to Notice

### **Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956**

The following explanatory statement sets out all material facts relating to business at item Nos 7 and 8 in the accompanying notice :

#### **Item No. 7**

In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 136 of the Articles of Association of the Company, Mr. Rajiv P. Kakodkar was appointed an Additional Director by the Board of Directors with effect from 26th April 2007.

In terms of the provisions of Section 260 of the Companies Act, 1956, Mr. Kakodkar holds office up to the date of forthcoming Annual General Meeting.

The company has received a notice in writing from a member along with requisite deposit under section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

Mr. Kakodkar is a Bachelor of pharmacy from Bombay University and MBA from the prestigious Stuart School of Business, Chicago, USA. He has vast international business experience in pharmaceutical field. His area of expertise include Indenting and Sourcing for global pharmaceutical and domestic businesses. He is a founder of his own chemical business in operation for over two decades.

None of the Directors except Mr. Rajiv P. Kakodkar is interested in the resolution since it relates to his appointment.

#### **Item No. 8**

In accordance with the provisions of Section 260 of the Companies Act, 1956 and Article 136 of the Articles of Association of the Company. Mr. Atul S. Rajadhyaksha was appointed an Additional Director by the Board of Directors with effect from 26th April 2007.

In terms of the provisions of Section 260 of the Companies Act, 1956, Mr. Rajadhyaksha holds office up to date of the forthcoming Annual General Meeting.

The company has received a notice in writing from a member along with requisite deposit under section 257 of the Companies Act, 1956 proposing his candidature for the office of Director.

Mr. Rajadhyaksha holds a Bachelor Degree in Arts and a Degree in Law from University of Bombay. He also holds a Master of Laws from London. He is a lawyer by profession and a Senior Advocate. Mr. Rajadhyaksha specialises in Commercial and Administrative Laws and has represented clients in various Courts including Supreme Court of India. He is advisor to multinational clients and has appeared in several arbitrations. He has acted as a member of International Arbitration Tribunal.

None of the Directors except Mr. Atul Rajadhyaksha is interested in the resolution since it relates to his appointment.

Place : Mumbai  
Date : October 18, 2007

By order of the Board

**JAGDISH B. SALIAN**  
*Company Secretary*



**Details of the Directors seeking appointment/reappointment in the Annual General Meeting to be held on 18<sup>th</sup> December, 2007  
(in pursuance of clause 49(IV) G(i) of the Listing Agreement)**

Name of Director	Mr Dattatraya M Sukthankar	Dr Madhukar R Narvekar	Mr Divakar M Gavaskar	Mr Rajiv P Kakodkar	Mr Atul S Rajadhyaksha
Date of Birth	21 <sup>st</sup> February, 1932	28 <sup>th</sup> March, 1930	5 <sup>th</sup> February, 1943	23 <sup>rd</sup> December, 1956	5 <sup>th</sup> June, 1954
Age	75 years	77 years	64 years	51 years	53 years
Date of Appointment	10 <sup>th</sup> September, 1994	15 <sup>th</sup> June, 1977	11 <sup>th</sup> April, 2005	26 <sup>th</sup> April, 2007	26 <sup>th</sup> April, 2007
Qualification	MCom, IAS	MBBS, MD	BCom, FCA, FCS	B Pharm, MBA (US)	BA, LLB, LLM (London)
Expertise in Specific area	Retired Public Servant	Surgeon and Gynaecologist	Retired Executive	Industrialist	Lawyer
Directorships held in other public companies (excluding foreign Companies)	HDFC Developers Ltd Phoenix Township Ltd HDFC Ltd Tata Housing Development Co Ltd	NIL	Salveo Life Sciences Ltd New Consolidated Construction Co. Ltd	NIL	NIL
Membership/Chairmanship of Committees of other public companies	NIL	NIL	Salveo Life Sciences Ltd Chairman - Audit & Remuneration Committee New Consolidated Construction Co. Ltd Chairman - Audit Committee	NIL	NIL
Shareholdings in the company	1600	28800	NIL	NIL	NIL



## Directors' Report

Dear Members,

Your Directors have pleasure in presenting the Sixtieth Annual Report together with the Audited Accounts for the financial year ended June 30, 2007. Consequent to the sanctions received from the Hon'ble High Courts of Bombay and Himachal Pradesh for amalgamation of company's subsidiaries, namely, La Nova Chem (India) Pvt Ltd and Indoco Healthcare Limited and the merger of pharmaceutical division of SPA Pharmaceuticals Pvt Ltd, the accounts are presented on a merged basis.

### FINANCIAL PERFORMANCE

#### Summary of Financials :

	<i>Rs lakhs</i> <i>Current Year</i>	<i>Rs lakhs</i> <i>Previous Year*</i>
Sales & Operations	34,443	26,960
Less : Excise Duty	1,844	2,617
Net Sales	32,599	24,343
Other Income	483	840
Total Income	33,082	25,183
Profit Before Interest, Depreciation and Tax	6,232	4,931
Less : Interest	509	352
Depreciation	903	595
Extra Ordinary item - VRS	159	-
Profit Before Tax	4,661	3,984
Less : Provision for Taxation		
- Current	520	249
- Deferred	275	776
- Fringe Benefit	70	121
- Prior year	10	-
- MAT Credit Entitlement	(418)	-
Profit After Tax	4,204	2,838
- Balance brought forward	1,826	1,331
Balances in Profit & Loss Account credited pursuant to scheme of amalgamation		
Indoco Healthcare Ltd	409	-
La Nova Chem (India) Pvt Ltd	16	-
	6,455	4,169
<b>Appropriations :</b>		
Proposed Dividend	799	739
Dividend Tax	136	104
Transfer to General Reserve	1,500	1,500
Balance carried forward	4,020	1,826
	6,455	4,169

\* Figures are on stand alone basis.

The unified accounts show a turnover of 34,443 lakhs compared to the stand alone turnover of Rs. 26,960 lakhs last year. Both the domestic and export sales have shown a growth of 21 % and 62 % respectively over last year's figures. The profit before tax for the year is Rs. 4,661 lakhs registering a growth of 17 % over last year. The profit after tax of Rs. 4,204 lakhs shows an increase of 48 %.

A detailed discussion on the business performance and future outlook is made in the chapter on Management Discussion & Analysis.

#### **Dividends & Reserves :**

The Directors are pleased to recommend a dividend of Rs. 6.50 per equity share for the year ended 30th June, 2007 (Previous year Rs 6.25/- per equity share). If approved by the shareholders at the Annual General Meeting, the dividend will absorb Rs 935 lakhs (Previous year Rs 843 lakhs) inclusive of Dividend Distribution Tax of Rs 136 lakhs (Previous year Rs 104 lakhs)

The Directors have also recommended transfer of an amount of Rs. 1500 lakhs to General Reserves (Previous year Rs.1,500 lakhs).

#### **IPO Funds :**

INDOCO had come out with its maiden IPO in January 2005. The commitments made on the utilization of the IPO funds have been adhered to during the period following the IPO. Till the close of 30th June, 2006, the Company has utilized the IPO funds for the purposes for which it was raised, namely, in setting up a manufacturing facility at Baddi, Himachal Pradesh, a Research & Development Centre at Navi Mumbai, in repaying the funds borrowed for the acquisition of the brand KARVOL PLUS, and for acquiring the additional premises for the Corporate Office in Mumbai.

In continuation of the said commitment, INDOCO has also invested a part of the IPO proceeds in early July, 2006, for acquiring an API manufacturing facility at Patalganga. The IPO funds now stands fully utilised.

#### **Credit Rating :**

During the year, ICRA has accorded an A1+ rating to Indoco's Commercial Paper Program (short term debt) of Rs 2500 lakhs. The rating A1+ is the highest rating accorded by ICRA for a Short Term Debt Program. This reflects the sound financial health of INDOCO.

#### **Expansion & Acquisition :**

The Baddi Plant commissioned in April 2006 was expanded during the year. A new liquid oral plant went into production in April 2007 at a total investment of Rs. 5.75 crores.

During the year under review, Indoco also acquired the pharmaceutical business of Spa Pharmaceuticals Pvt Ltd through amalgamation process. The acquisition mainly comprised of (1) a formulations plant at Waluj near Aurangabad; and (2) an API plant at Rabale, Navi Mumbai.

The Waluj plant has already been approved by some of the African & CIS countries. Product dossiers have also been submitted for registration in these countries.

APIs produced in the Rabale plant will be exported to semi-regulated markets, besides being sold in the domestic market and also used in captive consumption.

### **OPERATIONS**

#### **Domestic Business :**

Indoco's domestic sales is managed by its extensive marketing network manned by over 2000 marketing personnel.



Over the years Indoco has built separate marketing divisions to ensure focused sales approach. The performance of each division during the year was as follows :

**Indoco:** It is the flagship division of the company, spread across India & Nepal. This division focuses mainly on General Practitioners, Consulting Physicians, Paediatricians & Gynaecologists. It covers wide therapeutic segments like Antibiotics, Antispasmodic, Life Style Products, Anti-inflammatory, Anti-fungal, Cough and Cold preparations among others. The star brands include Cyclopam, Vepan, MCBM-69 Oxipod, Karvol Plus, Cital, Cloben-G, Glychek, Tuspel Plus, Carmicide and Atherochek.

**Spade:** The second largest division, spread across India except the north-eastern region, largely focusses on General Practitioners, Consulting Physicians, Paediatricians and Gynaecologists & ENTs. It also covers wide therapeutic areas like Anti-Cold, Anti-Infectives, Haematinics, Anti-Pyretics, Anti-Diabetics, Calcium & vitamins supplements, Anti-Ulcerants, amongst others. The star brands include Febrex Plus, ATM, Febrex, Methycal, GMT-SR, Pepchek & Aloha.

**Warren:** Warren is a speciality division of Indoco, catering to Dentists, Ophthalmologists, ENTs & Dermatologists. It has an all India presence. The therapeutic areas it covers include Anti-Hypersensitive-Toothpastes, Anti-Bacterial-Mouthwashes and Gels, Antibiotic Eye-drops, Oral Antibiotics and Anaesthetic injections. Warren has introduced innovative Anti-Caries Toothpaste for kids like Kidodent, which is well received by Dentists. The star brands include Sensodent-K, Sensodent-KF, Sensiform, Rexidin, Lignox and Dentogel.

**Radius:** A speciality division focussing on Consulting Physicians, Diabetologists and Cardiologists primarily deals with chronic and life-style disease segments. The diabetic population in India is growing at over 20% rate every year. The incidence of cardiovascular disease is also on the rise. This forms a good platform for acceleration of growth for Radius. The Therapeutic Areas covered by Radius are Anti-Diabetic, Anti-Hypertensive, Lipid Lowering and Anti-Coagulant. The star brands include Amchek, Prichek, Amchek-AT, Cholechek & Clopirad.

**Surge:** Is the fifth and recently launched division specifically to address the therapeutic needs of General Surgeons and Orthopaedics. It has presence in Maharashtra, Andhra Pradesh, Karnataka, Tamil Nadu, Kerala and Orissa. The therapeutic areas covers Oral and Injectable, Anti-Biotics, Nutrition Supplements and NSAIDs. The star brands include Calaid, Bactogard, Doloroff, Methygard and Kefsurge.

**Warren-Excel:** Excel recently launched in Tamil Nadu, AP, Karnataka and Kerala to start with will be slowly expanded all over India. This division is carved out of Warren and is introduced to strengthen company's presence with Ophthalmologists, ENTs & GPs. This division includes products in major therapeutic segments like topical Anti-Infectives, Anti-Infectives with Steroids, Tear Substitutes, NSAIDs, Mydriatics & Cycloplegics.

#### **International Business :**

Indoco has presence in 33 countries and owns brands which are registered in various international markets.

Indoco has world class facilities approved by US-FDA, UK-MHRA, Uganda-NDA, Tanzania-Pharmacy Board, Sudan-MOH, Zimbabwe-MCAZ and Sultanate of Oman-MOH.

Indoco has established a reputation of complete solution provider especially to generic companies.

During the year under review, Indoco's plant-I at Goa was accredited with the Brazilian approval for solid dosage. Inspections pertaining to MCC South Africa were successfully completed by both the plants in Goa for solid dosage and ophthalmics.

With the first shipment of Ciprofloxacin ophthalmic solution, Indoco has entered the US market. Further, Indoco's dossier is now registered in Australia and some of the European countries, viz., Spain and Bulgaria.

During the year under review, Indoco consolidated its presence in the regulated markets (UK and Germany among others) by registering a 57.6% growth in sales amounting to Rs 4,860 lakhs. The CAGR of over 50% during the last 5 years for the regulated markets indicates Indoco's sharp focus in these markets.

**Research & Development :**

Indoco's ultra modern R & D centre is spread over an area of 70,000 sq. feet. The New R&D set up houses state-of-the-art equipments, analytical instruments and latest databases.

The type of research activities in the synthetic chemistry includes inter-alia:

- (a) Custom chemical synthesis of molecules & intermediates under various phases of development (R&D, Pre-clinical & Clinical);
- (b) Contract Research : Process Chemistry Research & Development;
- (c) Non-Infringing process design & scale up;
- (d) Analytical Research (Analytical method development / Validation, Impurity Characterization, Impurity isolation, polymorphic studies);
- (e) Intellectual property management, and
- (f) Contract manufacturing Kg to Multi ton.

The API Unit & R & D have successfully developed 10 molecules and they are at various stages from technology transfer to commercial production. Another 15 products are under development.

On the formulation front, the R & D Centre is capable of handling formulation developments in various dosage forms, New Drug Delivery Systems and Technology platforms. The above efforts are supplemented by the company's regulatory department which has capability to conduct Bio-Equivalence Studies and Clinical trials.

Several Formulation / Dossier development projects have been completed for various European & US Companies.

**SUBSIDIARIES**

As reported last year, petition was filed in the Hon'ble High Court of Himachal Pradesh to merge wholly owned subsidiary, Indoco Healthcare Ltd. Directors are glad to inform you that the Hon'ble High Court of Himachal Pradesh was pleased to pass an order on 10th October, 2007 to merge Indoco Healthcare Ltd with the Company. Accordingly, Indoco Healthcare Ltd stands merged with the Company effective from the Appointed day 1st July, 2005.

The Company's other subsidiary Indoco Holding Netherland B V (IHN) has been legally liquidated as per the laws of Netherlands and ceased to exist with effect from 11th February 2007.

During the year, steps were taken to amalgamate LaNova Chem (India) Pvt Ltd which became a wholly owned subsidiary of your Company from 5th July, 2006. The proposal to merge this subsidiary was aimed at deriving synergy in administration costs and flexibility of operations. Accordingly, the Company had filed a petition before the Hon'ble High Court of Bombay and the said Hon'ble Court has accorded its approval to the proposal. La Nova Chem (India) Pvt Ltd now stands amalgamated with the Company with effect from the Appointed Day i.e. 5th July 2006.

With the merger of subsidiary Companies and unification of accounts, the disclosures pursuant to section 212 of the Companies Act, 1956 does not arise.

**ALLOTMENT OF SHARES PURSUANT TO AMALGAMATION**

With the approval of the Hon'ble High Court of Bombay to the proposal for merger of the Pharmaceutical Division of Spa Pharmaceuticals Pvt Ltd., with Indoco Remedies Ltd., the Company is required to allot 4,65,000 new equity shares of Rs 10/- each to the shareholders of Spa Pharmaceuticals in the Share Entitlement ratio of three shares of Indoco for every four shares held by them in Spa Pharmaceuticals. Accordingly, the Company has made provision for allotment of shares by creating Share Suspense Account. The new shares will rank pari pasu with the existing shares of the Company and will be issued in demat mode to the allottees as provided under the Scheme approved by the



Hon'ble Court. The new shares will also be listed on National Stock Exchange (NSE) and Bombay Stock Exchange (BSE).

## **SOCIAL INITIATIVES**

Indoco recognizes its social responsibility as a corporate citizen. Suresh Kare-Indoco Foundation, a trust set-up with the primary object of providing scholarships & financial aid to students pursuing pharmacy related courses, and other education, has been donated Rs. 1,00,000/- by INDOCO, during the year. The said Foundation has also announced a Scheme to provide financial aid to the school going children of the victims of the recent bomb blasts in Mumbai.

## **CORPORATE GOVERNANCE**

In compliance of the provisions of Clause 49 of the Listing Agreement, the prescribed report on the Corporate Governance, as well as a certificate from the Auditors on the compliance of the conditions of the Corporate Governance, are annexed to and form part of the Annual Report.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

To the best of their knowledge and belief and according to the information and explanations obtained by them, your Directors make the following statement in terms of Section 217(2AA) of the Companies Act, 1956:

- (i) that in the preparation of annual accounts, the applicable accounting standards have been followed and no material departures have been made from the same;
- (ii) that they have selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profits of the Company for that year;
- (iii) that proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- (iv) that the annual accounts have been prepared on a 'going concern' basis.

## **DIRECTORS**

Mr S Y Rege and Mr P K Kakodkar resigned as Directors of the Company with effect from 26th April, 2007 on health grounds.

The Board places on record its appreciation of the distinguished services rendered by Mr Rege and Mr Kakodkar and wishes them healthy long life.

Mr Rajiv P Kakodkar and Mr Atul S Rajadhyaksha were appointed Additional Directors of the Company with effect from 26th April, 2007.

Mr Dattatraya M Sukthankar, Mr Madhukar R Narvekar and Mr Divakar M Gavaskar retire by rotation at the forthcoming Annual General Meeting, and they are eligible for re-appointment. The profile of directors as required by clause 49(IV) G(i) is given as attachment to Notice.

## **AUDITORS**

M/s. Patkar & Pendse, Chartered Accountants, hold their office as Auditors till the conclusion of the ensuing Annual General Meeting, and are eligible for re-appointment. M/s. Patkar & Pendse have provided INDOCO with a certificate

prescribed under the provisions of Section 224(1B) of the Companies Act, 1956. They have also conveyed their willingness to accept the office as Auditors, if re-appointed. The Audit Committee of the Board has recommended their re-appointment.

### **COST AUDIT**

As per the Order of the Government, INDOCO's Cost Records in relation to the formulations manufacturing activity, for the year ended June 30th, 2007, are being audited by Cost Auditor, Mr. Prakash A. Sevekari, Cost Accountant, who has been appointed by the Board, and whose appointment has been approved by the Government, to conduct the said audit in terms of the provisions of Section 233B of the Companies Act, 1956.

### **INFORMATION IN TERM OF SECTION 217(1)(e) & SECTION 217(2A)**

Information in terms of the provision of Section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988, as amended, is contained in Annexure-A to this report and forms part of this Report.

Information in terms of the provision of Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of Employees) Rules, 1975 as amended, is contained in Annexure-B to this report. However, in terms of the provisions of Section 219(1)(b) of the Companies Act, 1956, the said annexure has not been forwarded to the shareholders; and shareholders interested in the said information may write to the Company Secretary at the Registered office of the Company.

### **EMPLOYEES RELATIONS**

The employees' relation at all levels at all units continued to be the most cordial during the year.

### **ACKNOWLEDGEMENT**

Your Directors wish to place on record their appreciation of the employees at all levels for their dedicated efforts. The Directors also wish to place on record a word of sincere appreciation to the bankers & financial institutions, the investors, the vendors, the customers, the medical profession and all other business associates for their continued support.

For and on behalf of the Board of Directors

**SURESH G KARE**

*Chairman & Managing Director*

Mumbai : October 18, 2007





## Annexure "A"

### To the Directors' Report

Particulars required under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the report of Board of Directors) Rules, 1988.

#### 1 CONSERVATION OF ENERGY –

(a) Energy conservation measures taken :

- (i) Conventional Vapor Absorption Chiller replaced with energy efficient Screw chiller.
- (ii) Variable Frequency Drives (VFDs) are installed for centrifugal pumps of Centralised Air conditioning plants and for motors of HVAC system.
- (iii) Use of condensate as input water to boiler.
- (iv) Sub station is fitted with 600 kVAr capacitor bank and microprocessor based automatic power factor correction panel to increase power factor.
- (v) Use of water recovered from wash water for cooling purpose.

(b) Additional investments and proposals, if any, being implemented for reduction of consumption of energy :

- (i) Use of Solar based systems for hot water generation
- (ii) Heat recovery from condensor water of chiller.
- (iii) Replacement of Dessiccant Air Dryers with Refrigerated Air Dryers.
- (iv) SR-series Logic controller-programmable with relay outputs are planned for comfort air-conditioning.

(c) Impact of the measures at (a) & (b) above for reduction of energy consumption & consequent impact on the cost of production of goods :

The implementation of the above energy conservation measures have helped the Company to curtail consumption of furnace oil, electrical energy and water.

(d) Total energy consumption and energy consumption per unit of production as per prescribed Form "A" :

(i) Power and Fuel Consumption

	Current Year	Previous Year
(1) Electricity –		
Purchased Unit (lakhs)	97.71	70.89
Total Amount (Rs lakhs)	693.76	549.05
Rate/Unit (Rs)	7.10	7.74
(2) Furnace Oil –		
Purchased Qty. (kilo litres)	938.192	644.00
Total Amount (Rs lakhs)	187.71	127.29
Rate/Unit (Rs)	20.01	19.76

(ii) Consumption per unit of production

On account of the manufacture of products with varied pack sizes / units of measures, it is not practical to express the consumption of power per unit of production.

#### 2 TECHNOLOGY ABSORPTION –

Efforts made in technology absorption, adaptation and innovation as per prescribed "Form B"

##### RESEARCH & DEVELOPMENT

(a) Specific areas in which R & D was carried out by the Company :

Research and Development centre focuses on formulation development and analytical method development. R&D work includes development of a range of dosage forms, namely solid dosage forms like immediate release tablets, sustained release tablets, liquid orals, semi-solid dosage forms namely creams and gels; ophthalmics, injectibles and oral hygiene products. R & D carries out generic product development for regulated markets from the prototype development phase to production for clinical trials & commercial production.

(b) *Benefits derived as a result of the above R & D :*

As a result of development work carried out at the R & D Centre, the company has introduced several new products into the domestic market. Well equipped, self sufficient R & D with a pilot plant facility has helped in generating a number of foreign contracts for formulation development for regulated markets. The Company has completed dossiers for two molecules for generic market in UK and submitted ANDA's for two ophthalmic products. As an outcome of R&D activity, three patents have been filed at the Indian patent office.

(c) *Future Plans :*

The Company is aiming at obtaining more and more international contracts for formulation and analytical method development. The Company's focus would be to tap the US & European generics market. R&D will undertake development work on newer technologies like gastro-retentive dosage forms and new drug delivery systems like bilayered tablets for domestic market.

(d) *Expenditure on R&D :*

	<i>Current Year (Rs lakhs)</i>	<i>Previous Year (Rs lakhs)</i>
(i) Capital	<b>562.00</b>	<b>2,247.03</b>
(ii) Recurring	<b>544.65</b>	<b>222.72</b>
(iii) Total	<b>1,106.65</b>	<b>2,469.75</b>
(iv) Total as % of net revenue	<b>3.39 %</b>	<b>10.15 %</b>

**3 FOREIGN EXCHANGE EARNINGS AND OUTGO**(a) *Activities relating to exports, initiatives taken to increase exports, development of new export markets for products and export plans :*

Company's efforts and focus on regulated markets have paid off as is obvious from the 43% growth in export sales compared to last year. We have commenced sales in new territories, enhanced the product basket and expanded the customer base. Sensing tremendous opportunity for products in semi-solid dosage forms i.e. creams & ointments, we have taken measures to get this section of facility approved by UK-MHRA. As a result, we commenced our export of Acyclovir cream to Europe, in the last year. Validation batches for two additional products will ensure exports to UK from early next year.

Company has sold its first dossier in CTD format to a customer in Europe which has established our capability in dossier preparation.

The participation of CPhI exhibition held in Belgium (Dec'04), Pharmatech Expo in Czech Republic (Feb'05) & Manupharma Summit in Netherlands (May'05) have given us new leads for business development in Mainland Europe and also East European countries.

The thrust will be on offering dossiers in CTD format for the products going off-patent thus ensuring two streams of revenues, i.e from sale of dossiers & supply agreement.

(b) *Total Foreign Exchange used and earned :*

	<i>Current Year (Rs lakhs)</i>	<i>Previous Year (Rs lakhs)</i>
(i) Total Foreign Exchange earned (CIF)	<b>7,001.80</b>	4,319.14
(ii) Total Foreign Exchange used	<b>2,037.37</b>	1,884.16





## Report on Corporate Governance

(Pursuant to Clause 49 of the Listing Agreement entered into with the Stock Exchanges)

### Governance Philosophy

Your Company subscribes fully to the principles and spirit of sound Corporate Governance. Keeping this in mind it has adopted transparency, disclosure, accountability and ethics as its business practices. The management believes these principles will enable it to achieve the growth it has planned in the future years. As part of its Corporate Governance philosophy Indoco will continue to focus its energies and resources in safeguarding and maximizing the wealth for the benefits for all the stakeholders.

### Composition of the Board

#### a) Size and Composition of the Board :

The Company's policy is to have a proper blend of Executive and Non-Executive Directors to maintain independence of the Board and to separate Board functions of governance from management. Presently, the Board consists of ten members, four Wholetime Executive and six Independent Directors.

The details with regard to attendance of Directors at Board Meetings/Shareholder Meetings held during the year and the number of Directorship/s in other Companies and the Memberships of Committee/s are given below:

Name of Director	Category	No. of Board Meetings attended out of 4 Meetings held	Attendance at the AGM held on November 07, 2006	No. of other Directorships held as at June 30, 2007*	Committee/s position as at June 30, 2007 **	
					Chairman	Member
Mr Suresh G Kare	Executive	4	Yes	2	-	-
Mr PK Kakodkar @	Non-Executive	1	Yes	2	-	1
Mr SY Rege @@	Non-Executive	3	No	4	1	3
Dr MR Narvekar	Non - Executive	2	No	1	-	-
Mr DM Sukthankar	Non - Executive	3	No	4	1	3
Mr DN Mungale	Non - Executive	4	Yes	8	4	2
Mr DM Gavaskar	Non - Executive	4	No	2	3	1
Mr Rajiv P Kakodkar \$	Non-Executive	-	No	-	-	-
Mr Atul S Rajadhyaksha \$\$	Non-Executive	-	No	-	-	-
Mr FX Coutinho	Executive	4	No	1	-	-
Mr Sundeep V Bambolkar	Executive	4	Yes	1	-	-
Ms Aditi Kare Panandikar	Executive	4	Yes	1	-	-

\* Excludes Directorships in private/foreign companies and companies incorporated under Section 25 of the Companies Act, 1956.

\*\* Represents Chairmanship/Membership of the Audit Committee, and Shareholders'/Investors' Grievance Committee of other Companies.

The day-to-day management of the Company is conducted by the Chairman & Managing Director subject to the supervision and control of the Board of Directors and he is assisted by three Wholetime Directors.

#### Notes :

\$ appointed as Non-Executive Director with effect from April 26, 2007.

@ resigned as Non-Executive Director with effect from April 26, 2007.

\$\$ appointed as Non-Executive Director with effect from April 26, 2007.

@@ resigned as Non-Executive Director with effect from April 26, 2007.

b) Details of Board Meetings held during the Financial Year and the number of Directors present :

Serial No.	Dates on which the Board Meeting was held	Total Strength of the Board	No. of Directors Present
1.	August 10, 2006	10	10
2.	October 30, 2006	10	7
3.	January 24, 2007	10	9
4.	April 26, 2007	10	6

c) Details of Remuneration to Board of Directors :

The decisions on remuneration to Directors, are made by the Board. The details of the remuneration paid or payable to the Directors for the period under review are as follows:

Name of Director	Category	Remuneration Rs	Commission/ Conveyance Rs	Sitting fees** Rs	Total Rs
Mr Suresh G Kare	Executive	5377000	6000000	-	11377000
Dr MR Narvekar	Independent	-	-	7500	7500
Mr PK Kakodkar	Independent	-	-	7500	7500
Mr SY Rege	Independent	-	-	27500	27500
Mr DM Sukthankar	Independent	-	-	12500	12500
Mr DN Mungale	Independent	-	-	37500	37500
Mr DM Gavaskar #	Independent	-	8500	17500	26000
Mr FX Coutinho	Executive	4055571	-	-	4055571
Mr Sundeeep V Bambolkar	Executive	3410319	-	-	3410319
Ms Aditi Kare Panandikar	Executive	2207762	-	-	2207762
<b>Total</b>		<b>15050652</b>	<b>6008500</b>	<b>110000</b>	<b>21169152</b>

Notes :

- 1) \*\*The sitting fees include fees paid for attending Meetings of the Audit Committee to Mr. P. K. Kakodkar, Mr. S.Y.Rege and Mr. D. N. Mungale & Mr. D. M. Gavaskar for 4 meetings @ Rs.5000/- per meeting.
- 2) # Conveyance includes amount paid to Mr. D.M.Gavaskar for attending Meetings of the Board of Directors @ Rs. 2000/- per meeting, which increased to Rs. 2500/- with effect from 26.04.2007.
- 3) Remuneration includes Basic salary and perquisites/benefits provided as per the terms of appointment.
- 4) The executive directors are appointed for a term of 5 years and their service contract can be terminated with a notice period of three months except Mr. Suresh G. Kare, in whose case one month's notice is required. No severance fees are payable to the Executive Directors.
- 5) The Company does not have any scheme for grant of stock option to its Directors or Employees.

d) Details of Shares held by Non-Executive Directors :

Name of the Non - Executive Director	No. of Shares held
Dr MR Narvekar	28800
Mr. P. K. Kakodkar (Resigned w.e.f 26.04.2007)	1600
Mr DM Sukthankar	1600



## Committees of the Board

### a) Audit Committee :

Due to the change in membership of the Board, the Audit Committee was reconstituted during the year.

The present Audit Committee comprises of following members, all of whom are independent directors :

- (1) Mr DN Mungale - *Chairman*
- (2) Mr Rajiv P Kakodkar - *Member*
- (3) Mr DM Gavaskar - *Member*

Mr PK Kakodkar and Mr SY Rege ceased to be members of the Committee on resignation on health grounds as Directors with effect from April 26, 2007. Mr DM Gavaskar and Mr Rajiv P Kakodkar became a members of the Committee with effect from January 24, 2007 and April 26, 2007 respectively.

The terms of reference of this Committee cover matters specified for audit committees under Clause 49 of the Listing Agreements and Section 292A of the Companies Act, 1956. They can be broadly stated as follows :

- (1) Overseeing the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statements are true and fair.
- (2) Recommending to the Board, the appointment, re-appointment of the statutory auditors, fixation of audit fees and fees for other services.
- (3) Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
- (3) Reviewing, the adequacy of internal control systems and internal audit function, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
- (4) Discussing with internal auditors any significant findings and follow-up thereon.
- (5) Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.
- (6) Discussion with the statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- (7) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- (8) In addition to the above, all items listed in Clause 49(II)(D) of the Listing Agreement.

The dates on which Meetings of the Audit Committee were held and the attendance of the Members at the said Meetings are as given below :

Serial No.	Dates on which Audit Committee Meeting was held	Attendance record of the Members			
		DN Mungale	PK Kakodkar	SY Rege	DM Gavaskar
1.	August 10, 2006	Attended	Attended	Attended	–
2.	October 30, 2006	Attended	Absent	Attended	–
3.	January 24, 2007	Attended	Absent	Attended	Absent
4.	April 26, 2007	Attended	Absent	Absent	Attended

Mr Suresh G Kare , Chairman & Managing Director and Mr Sundeep V Bambolkar, Director-Finance & Operations are permanent invitees at the Meeting.

The Company Secretary is the Secretary of the Committee.

The Statutory Auditors of the company were present at four meetings held during the year.

b) Shareholders/ Investors Grievance Committee :

The Committee was reconstituted with effect from April 26, 2007 due to change in the composition of the Board.

The re-constituted members of the Shareholders/Investors Grievance Committee, are Mr Atul S Rajadhyaksha - Chairman, Mr Sundeep V Bambolkar - Member and Ms Aditi Kare Panandikar - Member.

The Committee met on July 31, 2006, October 12, 2006, January 16, 2007 and April 12, 2007 to review the investor complaints and redress their grievances. The details as to the meeting held and the attendance record of the members are given below :

Name of the Committee Member	No. of Meetings	
	Held during the year	Attended during the year
SY Rege *	4	4
Sundeep V Bambolkar	4	4
Aditi Kare Panandikar	4	4
Atul S Rajadhyaksha**	4	Nil

\*ceased to be a member with effect from 26.04.2007.

\*\* Appointed as member with effect from 26.04.2007

The terms of reference of the Committee include the following:

- Investor complaints and their expeditious redressal
- Investor queries
- Review of shares dematerialised and all other related matters

Status on number of complaints received and resolved during the financial year ended June 30, 2007 is as follows :

Sr No.	Shareholders Complaint	Received	Cleared
1	Non-receipt of share certificates	8	8
2	Non-receipt of dividend warrants	18	18
3	Others/miscellaneous	1	1
	Total	27	27

Sr No.	Investors Compliant	Received	Cleared
1	Letters from SEBI/Stock Exchanges	8	8
2	Others/Miscellaneous	17	17
	Total	25	25

The Company has resolved all the complaints as at the end of financial year June 30, 2007, to the satisfaction of the shareholders and no complaints are pending for redressal.



The Company has appointed Mr. Jagdish B. Salian, Company Secretary, as the Compliance Officer & Investor Relations Officer in place of Mr. Anil Kale.

c) **Share Transfer Committee :**

The Committee was constituted during the year and presently comprises of following Directors :

- (1) Mr FX Coutinho - *Chairman*
- (2) Mr Sundeep V Bambolkar - *Member*
- (3) Ms Aditi Kare Panandikar - *Member*

Mr Jagdish B Salian, Company Secretary acts as Secretary of the Committee.

Dates on which Meetings of the Share Transfer Committee were held and the attendance of the Members at the said Meetings are as under :

Serial No.	Dates on which Share Transfer Committee Meeting was held	Attendance record of the Members		
		Mr FX Coutinho	Mr Sundeep V Bambolkar	Ms Aditi Kare Panandikar
1.	September 30,2006	} Attended all Meetings	} Attended all Meetings	} Attended all Meetings
2.	October 15, 2006			
3.	December 30, 2006			
4.	January 15, 2007			
5.	February 28, 2007			

The Share Transfer Committee, has been delegated with powers to administer the following :

1. transfer of shares
2. transmission or deletion of shares
3. issue of duplicate share certificates , request for change in name etc.

### Remuneration Policy

Subject to the approval of the Board and the Company in General Meeting and such other approvals as may be necessary, the Managing/Wholtime Directors are paid remuneration as per the Agreements entered between them individually and the Company. The remuneration structure of the Managing/Wholtime Directors comprises of salary, performance incentive, perquisites and allowances, contributions to Provident Fund, Superannuation Fund and Gratuity.

### Details of General Body Meetings

#### Annual General Meeting :

The venue and the time of the last three Annual General Meetings of the Company were as follows:

Year	AGM	Location	Date	Time
2005-06	AGM	MIG Cricket Club, MIG Colony, Bandra (E), Mumbai 400 051	November 07, 2006	2.30 p.m.
2004-05	AGM	MIG Cricket Club, MIG Colony, Bandra (E), Mumbai 400 051	September 29, 2005	2.30 p.m.
2003-04	AGM	Indoco House, 166 CST Road, Kalina, Santacruz (E),Mumbai -98	September 09, 2004	4.00 p.m.

*No resolution was passed through Postal Ballot during last year.*

**EXTRA ORDINARY GENERAL MEETING (EGM) :**

An Extra Ordinary General Meeting as per the directions of the Hon'ble High Court of Bombay was held on June 18, 2007 for approval of a Composite Scheme of Amalgamation and Demerger between La Nova Chem (India) Pvt. Ltd, SPA Pharmaceuticals Pvt. Ltd and Indoco Remedies Limited at MIG Cricket Club, MIG Colony, Bandra(E), Mumbai 400 051 on June 18, 2007.

**Disclosures :**

- 1) There are no materially significant related party transactions i.e. transactions of the Company of material nature, with its promoters, directors or the management, their subsidiaries or relative etc. during the year, that may have potential conflict with the interests of the Company at large.
- 2) The Board has received disclosures from key managerial personnel relating to material, financial and commercial transactions where they and/or their relatives have personal interest. There are no materially significant related party transactions which have potential conflict with the interest of the Company at large.
- 3) There were no defaults in non-compliance during the last three years by the Company on any matter related to Capital Market. There were no penalties imposed nor strictures passed on the Company by Stock Exchanges, SEBI or any statutory authority.
- 4) All mandatory requirements as per Clause 49 of the Listing Agreement have been complied with by the Company.
- 5) The Company follows Accounting Standards issued by The Institute of Chartered Accountants of India and there are no statutory audit qualifications in this regard.
- 6) In terms of Clause 49(V) of the Listing Agreement, the Managing Director and the Executive Director (Finance & Accounts) made a certification to the Board of Directors in the prescribed format for the year under review which has been reviewed by the Audit Committee and taken on record by the Board.

**Means of communication :**

The quarterly results of the Company are published in newspapers of repute like The Financial Express, Business Standard, Economic Times, Maharashtra Times, Navshakti, Gomantak and the Loksatta. The results are also displayed on the Company's website : [www.indoco.com](http://www.indoco.com)

Since the half - yearly financial results are published in leading newspapers as well as displayed on the website, the same are not sent to the shareholders of the Company.

The data such as quarterly financial results and shareholding pattern required to be filed electronically as EDIFAR document pursuant to Clause 51 of the Listing Agreement with the Bombay Stock Exchange Ltd., and National Stock Exchange of India Ltd., are being regularly filed on the EDIFAR website viz, [www.sebidifar.nic.in](http://www.sebidifar.nic.in) in addition to filing the same in hard copy with the Stock Exchanges.

**GENERAL SHAREHOLDERS INFORMATION****Annual General Meeting :**

- Date and Time - 22nd December, 2007, at 10.00 a.m.  
Venue - MIG Cricket Club, MIG Colony, Bandra (E), Mumbai - 400 051.

**Financial Calendar :** Financial year : 1 July to 30 June

**Book Closure :** The dates of book closure are from 15th December, 2007 to 22nd December, 2007 inclusive of both days.

**Code of Conduct for Prevention of Insider Trading :**

Pursuant to the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, as amended, the Company has adopted a "Code of Conduct for Dealing in Securities" at the meeting of the Board of Directors held on April 26, 2004. The Company has subsequently updated the Code as per the requirements of SEBI from time to time.



**Code of Conduct for Senior Management :**

The Company has adopted a Code of Conduct for Directors and Senior Management, which is hosted on the web site of the Company. It is the responsibility of Board Members and Senior Management to familiarise themselves with the Code and comply with the same.

The Chairman of the Company has given a declaration of due compliance with Code of Conduct by the Directors and Senior Management.

**Dividend Payment Date :** On or after 24th December, 2007

**Listing :** *The Company Shares are listed on :*

- 1 Bombay Stock Exchange Limited, Floor 25, P. J. Towers, Dalal Street, Mumbai - 400 001.  
Stock Code : 532612
- 2 National Stock Exchange of India Limited, Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai - 400 051. Stock Code : INDOCO EQ

**Stock Price Data :** National Stock Exchange of India Limited (NSE)

Months	IRL Share Price			No. of Shares traded during the month	Turnover Rs lakhs
	High Rs	Low Rs	Close Rs		
July '06	269.95	227.00	239.30	132924	322.94
August '06	342.00	227.10	314.70	404395	1135.10
September '06	330.00	292.00	314.40	143901	449.13
October'06	310.00	274.00	289.80	189378	545.46
November '06	312.00	275.40	281.70	134501	398.56
December '06	342.85	272.00	339.40	284384	875.45
January '07	369.55	333.00	349.55	151606	532.57
February '07	360.00	291.00	301.40	47081	156.33
March '07	328.40	265.35	287.60	35265	97.56
April '07	299.00	265.00	285.70	69070	190.64
May '07	320.00	278.00	313.35	43006	127.10
June '07	317.00	277.15	279.75	86449	256.05

**Distribution of Shareholding as on June 30, 2007**

No. of Equity Shares held	No. of Shareholders	Percentage of Shareholders	No. of Shares held	Percentage of Shareholding
1 to 500	12335	95.93	677162	5.73
501 to 1000	210	1.63	160458	1.36
1001 to 2000	108	0.84	154769	1.31
2001 to 3000	49	0.38	125395	1.06
3001 to 4000	18	0.14	65757	0.56
4001 to 5000	17	0.13	79106	0.67
5001 to 10000	45	0.35	335927	2.84
10001 & above	76	0.59	10223140	86.48
TOTAL	12858	100.00	11821714	100.00

**Categories of shareholders as on June 30, 2007.**

Category Code & Category of Shareholder	No of Shareholders	Total No of shares	No of shares held in dematerialised form	Total shareholding as a % of total no of shares	
				As a % of (A+B)	As a % of (A+B+C)
(A) Shareholding of Promoter and Promoter Group					
(1) Indian					
(a) Individuals/HUF	33	2583780	2411760	21.86	21.86
(b) Central Government/State Government(s)	—	—	—	—	—
(c) Bodies Corporate	3	4369760	4214120	36.96	36.96
(d) Financial Institutions/Banks	—	—	—	—	—
(e) Any other (specify)	—	—	—	—	—
Sub-Total (A)(1)	36	6953540	6625880	58.82	58.82
(2) Foreign					
(a) Individuals	—	—	—	—	—
(b) Bodies Corporate	—	—	—	—	—
(c) Institutions	—	—	—	—	—
(d) Any other (specify)	—	—	—	—	—
Sub total (A)(2)	—	—	—	—	—
Total shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	36	6953540	6625880	58.82	58.82
(B) Public Shareholding					
(1) Institutions					
(a) Mutual Funds/UTI	12	1460276	1460276	12.35	12.35
(b) Financial Institutions/Banks	—	—	—	—	—
(c) Central Government/State Government	—	—	—	—	—
(d) Venture Capital Funds	—	—	—	—	—
(e) Insurance Companies	—	—	—	—	—
(f) Foreign Institutional Investors	9	762588	762588	6.45	6.45
(g) Foreign Venture Capital	—	—	—	—	—
(h) Any other (specify)	—	—	—	—	—
Sub - Total (B)(1)	21	2222864	2222864	18.80	18.80
(2) Non-Institutions					
(a) Bodies Corporate	311	306651	273351	2.59	2.59
(b) Individuals					
(i) Individual shareholders holding nominal share capital upto Rs. 1.00 lakhs	12255	1383801	1158453	11.71	11.71
(ii) Individual shareholders holding nominal share capital in excess of Rs. 1.00 lakhs	32	889654	665024	7.53	7.53
(c) Any other (specify)	203	65204	65204	0.55	0.55
Sub-Total (B)(2)	12801	2645310	2162032	22.38	22.38
Total Public shareholding (B) = (B)(1) +(B)(2)	12822	4868174	4384896	41.18	41.18
(C) Shares held by Custodians and against which Depository Receipts have been issued	—	—	—	—	—
Grand Total :(A)+(B)+(C)	12858	11821714	11010776	100	100



**ADR/GDR**

The Company has not issued any ADR/GDR.

**Dematerialisation Information :**

The shares of your Company are available in Dematerialised form with National Securities Depository Limited (NSDL) & Central Depository Services (I) Limited (CDSL). The ISIN of the company is INE873D01016.

**Dematerialisation of shares :**

As on June 30, 2007, 93.14% of the total shares of the Company have been dematerialised as given below :

Number of Shares	% of total Shares	No. of Shareholders	% of total Shareholders
11010776	93.14%	12730	99%

Shareholder, who still continue to hold shares in physical form, are requested to dematerialise their shares at the earliest and avail of the various benefits of dealing in securities in electronic/dematerialised form. For any clarification, assistance or information, please contact the Registrar and Share Transfer Agents of the Company. The shareholders have the option to hold Company's shares in demat form through the National Securities Depository Limited (NSDL) or Central Depository Services (I) Limited (CDSL).

The break-up of shares in physical and demat form as on June 30, 2007 is given below :

No. of Demat/physical form as on June 30, 2007.

	No. of Shares	% of total Shares
Physical Segment	810938	6.86%
Demat Segment		
– NSDL	10568501	89.40%
– CDSL	442275	3.74%
Total	11010776	93.14%

**Registrar & Share Transfer Agent :**

Intime Spectrum Registry Limited, C-13, Pannalal Silks Mills Compound, L.B.S. Marg, Bhandup (W), Mumbai 400 078.

Contact person : Mr. Satyan Desai

Phone No. : 25963838

**Address for Correspondence :**

Shareholders' correspondence should be addressed to the Company's Registrar and Share Transfer Agent at the address mentioned above.

Shareholders may also contact Mr. Jagdish B. Salian, Company Secretary, at the Registered Office of the Company for any assistance.

Tel : Nos. 2654 1851-55

e-mail id : jagdishs@indoco.com

**Nomination Facility :**

Shareholders holding physical shares may send their nominations in prescribed form 2B to the Company. Those holding shares in dematerialised form may contact their respective Depository Participant (DP) for availing the nomination facility.

### Unpaid/ Unclaimed Dividends :

In terms of Sections 205A and 205C of the Companies Act, 1956, the Company is required to transfer the amount of dividend remaining unclaimed for the period of seven years from the date of transfer to the unpaid dividend account to the Investor Education and Protection Fund (IEPF). Shareholders are requested to ensure that they claim the dividend(s) from the Company before transfer to the Investor Education and Protection Fund.

The due dates for transfer to IEPF of dividend remaining unclaimed/unpaid since 1999-00 are given below:

Financial year	Unclaimed dividend amount as on 30.06.07	Due date for transfer to IEPF
1999-00 - Interim	42960	17.05.2007
1999-00 - Final	26340	08.11.2007
2000-01 - Final	84780	04.12.2008
2001-02 - Interim	100800	19.04.2009
2002-03 - Final	41560	04.12.2010
2003-04 - Interim	112800	07.06.2011
2004-05 - Final	155115	01.11.2012
2005-06 - Final	215250	15.12.2013

### Plant Locations :

- 1) L-14, Verna Industrial Estate, Verna - Goa 403 722
- 2) L-32,33,34 Verna Industrial Estate, Verna - Goa 403722
- 3) N-101, MIDC, Tarapur, Maharashtra
- 4) R-104, MIDC Rabale, Thane Belapur Road, Navi Mumbai, Dist. Thane
- 5) Village Katha, P.O. Tahsil Nalgarh, Dist. Solan, H.P. 173205
- 6) A-26, MIDC, Patalganga, Dist. Raigad
- 7) B-20, MIDC, Waluj, Aurangabad

### Research & Development :

R-92/93, MIDC Rabale, Thane Belapur Road, Navi Mumbai, Dist. Thane

### Registered Office :

Indoco Remedies Limited, Indoco House,  
166 CST Road, Kalina, Santacruz (East),  
Mumbai 400 098.

Tel : +91- 22-2654 1851- 55

Fax : +91-22 - 66936241



## **Auditor's Certificate on Corporate Governance** To the Members of **Indoco Remedies Limited**

We have examined the compliance of conditions of Corporate Governance by Indoco Remedies Limited, for the year ended 30th June, 2007, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of the procedures and implementations thereof adopted by the Company for ensuring compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made by the Directors and the management, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

As required by the Guidance Note issued by The Institute of Chartered Accountants of India, we have to state that based on the report given by the Registrars of the Company and placed before the Investors' Grievance Committee, as on 30th June, 2007, there were no investor grievance matters against the Company remaining unattended/pending for more than 30 days.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the Management has conducted the affairs of the Company.

For PATKAR & PENDSE  
*Chartered Accountants*

BM PENDSE  
*Partner*  
M. No. 32625

Mumbai : October 18, 2007







## Chairman's Certificate Declaration on Code of Conduct To the Members of **Indoco Remedies Limited**

This is to confirm that the Company has adopted a Code of Conduct for its Board Members and Senior Management. The Code is posted on the Company's website.

I confirm that the Company has in respect of the year ended June 30, 2007, received from the senior management team of the Company and the Members of the Board affirmations of compliance with the Code of Conduct as applicable to them.

**SURESH G KARE**  
*Chairman & Managing Director*

Mumbai : October 18, 2007



## Management Discussion And Analysis

### THE ECONOMIC BACKDROP

The Indian economy has been on a roll since the past few years with strong fundamentals at the macroeconomic level. Growth in the GDP accelerated from 9.0 per cent during 2005-06 to 9.4 per cent during 2006-07. The sharp growth in recent times has been led by the manufacturing sector, which is growing at robust double-digit rates. Barring the concern over inflation and lack of contribution in terms of growth from the agricultural sector, there are distinct signs of sustained improvements on the industrial front. The performance of the economy has boosted sentiments, both within the country and evinced significant interest from overseas investors.

### THE INDUSTRY

The Indian pharmaceutical industry ranks 4th in terms of volume and 13th in terms of value, globally. It is growing at 9 per cent rate annually for the last five years while the global pharmaceutical industry grew by 5.6% in 2007 (Source: IMS ORG Report). The pharmaceutical market is forecasted to grow to as much as US\$25 billion by 2010 (by McKinsey).

The Indian pharmaceutical industry constitutes about 20-22\* per cent of world's generic drugs. It is expected to grow at an average annual rate of about 15-20\* per cent between 2005 and 2010. The Indian pharmaceutical companies today, cater to demands across the globe for formulations and bulk drugs. India is also one of the top five active pharmaceutical ingredients (API) producers and has the world's third largest pharmaceutical manufacturing industry.

Exports constitute nearly forty per cent of the production with formulations contributing fifty-five per cent and bulk drugs forty-five per cent of the total exports.

For many years R&D-based MNCs kept away from the Indian markets as India allowed process patents and not product patents. The market was dominated by copied generic drugs produced at low-cost by Indian companies, which over the last few years had mastered the art of reverse engineering and process chemistry so far as the pharma sector is concerned. However, following the adoption of the product patent regime and compliance to the TRIPS agreement, the Indian Pharmaceutical landscape has undergone a paradigm shift.

Foreign companies are now looking forward to entering India with two objectives. One, to tap the huge consumer base by marketing their own drugs and second, the research outsourcing opportunity where companies are willing to outsource a large part of their research, manufacturing and clinical trials to Indian companies.

### GLOBAL PHARMACEUTICAL MARKETS AND THE INDIAN OPPORTUNITY

The economic, structural, political and health dynamics that have a direct bearing on this sector are rebalancing the pharmaceutical market worldwide. As a result, most companies are looking at low-cost, yet nations with a highly skilled knowledge-based workforce such as India for important outsourcing tie-ups. Further, to India's advantage are:

1. Large number of US FDA approved plants
2. Proven process chemistry skills
3. Strong base of educational institutions that churn out large number of highly qualified man power.

Besides, India is home to some of the most successful pharmaceutical companies who have transcended geographical barriers and acquired companies on foreign land to emerge as strong generics players.

Involvement of global pharma companies as partners, thanks to the adoption of the product patent regime, will further strengthen skills of Indian pharma companies, especially in the areas of research and development. Today, most of the world's big pharma companies are looking to partner Indian firms to outsource highly skilled activities such as new chemical entity (NCE) development research, clinical trials, production of active pharmaceutical ingredients and novel drug delivery systems (NDDS).

\* Source : India Brand Equity Foundation (IBEF)

**Indoco's presence in the international market :**

Re-inventing itself in response to market challenges has been a constant endeavour at Indoco. It believes in being proactive and staying ahead of market dynamics so as to be prepared in advance to fully avail of the opportunities which the markets may provide.

During 2006-07, Indoco consolidated its presence in the highly lucrative regulated markets (that include the US, UK among others) by registering a 57.6 per cent growth in sales to Rs.4,860 lakhs over the previous year. The CAGR of over 50 percent during the last five years for the regulated markets indicate Indoco's sharper focus in these markets.

During 2006-07, Indoco's manufacturing facilities received the approval from ANVISA- Brazil and TGA-Australia. It also had a successful inspection by the MCC - South Africa and are now awaiting the necessary approvals from them. Following the clearance of ANDA application by the US FDA, Indoco has entered the U.S. market with the first shipment of Ciprofloxacin Ophthalmic Solution. Further, your Company also got its own dossier registered in Australia and some of the European countries, viz., Spain & Bulgaria.

The business of formulations and API's in semi-regulated markets have grown by 73 per cent in the year under review. In these markets, branded generics are marketed with promotional inputs. Due to the policy shift of moving away from the low margin tender business, the overall margins are expected to improve.

Dossiers submitted in over 10 countries during the year are expected to boost business in the years ahead. Companies in the European region have to file dossiers (that are similar to the ANDA applications in the US) with the regulatory agencies to sell their formulations. Having filed a few dossiers Indoco has developed the necessary skills-set to create the same for other generic companies, in Europe and other regulated markets. Outsourcing of dossier development is a lucrative business (something which most generic companies are willing to consider) and your Company is actively leveraging its skills to reap the benefits on offer.

**DOMESTIC BUSINESS**

The domestic business continues to grow and remains the main contributor to revenues. The two major divisions - Indoco and Spade have once again performed well, while Warren too has progressed very well with its specific dental segment. The new divisions Radius and Surge too have contributed well during the financial year. During 2006-07, a new Ophthal segment (Excel) was launched. With consolidation through Indoco and Spade and expansion through Warren, Surge-Radius and Excel Indoco has progressed in covering many doctors specializing in multi fields.

Indoco remains amongst the most preferred pharma manufacturers in the Indian healthcare scenario. In June 2007, Indoco ranked 13th by General Practitioners, 12th by Pediatricians, and 20th by Gynecologists. Through the specialty divisions Indoco has also progressed with Dentists, Ophthalmologists, Diabetologists and General Surgeons.

A structural marketing approach which covers doctors under various specializations has not only helped to develop good brands for existing products but also helped in developing new products.

**DISCUSSION ON FINANCIAL PERFORMANCE (CURRENT YEAR VERSUS CONSOLIDATED PREVIOUS YEAR)****Sales & Profit :**

For the year ended 30th June 2007, Indoco registered a 28 per cent increase in gross sales to Rs. 34,443 lakhs. The growth in sales was led largely by exports, which witnessed a jump of 62 per cent to Rs.7,002 lakhs and accounted for 20 per cent of total revenues. Domestic formulation sales recorded a 21 per cent increase to Rs.27,441 lakhs. The healthy expansion in our topline was equally well complimented by 34 per cent jump in net profit to Rs.4,204 lakhs.

**Secured Loans :**

The secured loans stood at Rs. 3,482 lakhs compared to Rs. 2,345 lakhs last year on account of increase in volume of business and a large part of unsecured borrowings being converted into secured loans.



**Unsecured Loans :**

The unsecured loans have considerably come down from Rs.981 lakhs last year to Rs.73 lakhs.

**Deferred Taxes :**

The outstanding amount on account of net deferred taxes increased from Rs.1,753 lakhs to Rs.2,069 lakhs.

**Fixed Assets :**

The gross block of fixed assets has increased during the year from Rs. 13,116 lakhs to Rs.20,672 lakhs due to additions to buildings and equipments and additions due to amalgamations / mergers during the year.

**Investments :**

The outstanding amount has come down drastically as the investment of Rs.633 lakhs held in mutual funds was realized for deployment in acquisitions.

**Loans & Advances :**

The comparative figure on this head is Rs.2,064 lakhs this year compared to Rs.4,021 lakhs last year. The decrease has occurred on account set off of loans given to the subsidiaries.

**Provision for Tax :**

Total provision for tax during 2006-07 amounted to Rs.458 lakhs, down from Rs.1,146 lakhs due to entitlement of MAT credit of Rs.418 lakhs.

**OUTLOOK**

Indoco is striving to place itself on a strong promising path by expanding its business strategically, strengthening its manufacturing facilities and enhancing capabilities across the organization. The Company is looking at various opportunities in untapped markets and association with business partners in the global market to give boost to its turnover.

As a company Indoco remains focused on formulation business and will be looking to expand the same, both in the domestic as well as international markets.

Indoco's initiative in the research & development and API manufacturing space should be viewed as steps to backward integration. The investments in this area will ensure high-end drug development research, steady supply of APIs for Company's ANDA & ECTD projects besides making its formulations more competitive.

Given Indoco's niche presence in the ophthalmology segment and strategy to enter into speciality marketing and distribution tie-ups for the regulated export markets, you can look forward to a healthy growth in your Company's business in the years to come.

**HUMAN RESOURCES**

The value of an organization is unequivocally linked to collective efforts of its people. Employees represent what a company stands for. We at Indoco strongly believe that, the growth of the company can be sustained through the continuous development of people who contribute to the success of business. Hence we focus our attention to harness the innate potential each individual brings to the organization.

Indoco offers a host of career opportunities in all aspects of Pharmaceutical research, manufacturing and marketing as well as in corporate support services and overall business development. Indoco invites qualified scientists and professionals willing to walk with the company in its global growth journey to join its team.

The company as a whole, represents a synergy of active talent at work in generating remarkable performance with a single-minded commitment to produce extraordinary results and achieve the highest standards of quality in all spheres.

**Internal Control Systems :**

INDOCO has over the years evolved effective internal controls over its operations. These controls are constantly reviewed & revised with the changing times. There is also an internal audit carried out with the help of an external agency, which covers areas like c&f operations, expenditure approval mechanism, review of obsolete / non-moving items in stock, etc. The directors opine that the existing internal control systems are adequate for the size and complexity of the present level of operations.

**Risks, Concerns and threats**

The business and operations of INDOCO are susceptible to risks which are inherent to any pharma business, as well as to those inherent to export operations. Apart from these, there is always an exposure to general commercial risks which accrue to any commercial organization. Some of these risks are addressed below :

**Price Control**

Indian Pharma Industry is subject to price control by the Government, which is operated through the Drug (Prices Control) Order, 1995 (DPCO) issued under the Essential Commodities Act, 1955. Under the DPCO, the Government has power to fix prices for the formulations which are covered by the Schedule of DPCO. Further, the Government has powers to cover additional formulations under the Schedule of DPCO.

INDOCO complies with the prices fixed by the Government under DPCO. However, any further reduction in these prices by the Government, poses a potential risk of loss of revenue and margins.

The Government is currently in the process of announcing a new drug policy and corresponding new DPCO. There are apprehensions that the new drug policy would bring substantially large basket of drugs under price control.

**Forex Transactions**

INDOCO's exposure to forex is increasing year-on-year, alongwith with its growing international business. The currency associated risks are attempted to be hedged by measures like forward and derivative contracts.

**Patent regime risks**

The onset of the new patent regime in 2005, has threatened the progress of the domestic pharma sector. INDOCO seeks to hedge this through an in-licensing and partnering approach, and by directing its efforts as an end-to-end complete solution provider.

**Product Life Cycle risks**

To counter the risks associated with the shortening of product life cycles in some of the therapeutic segments, INDOCO has embarked its operations in chronic and lifestyle segments. It has launched its RADIUS division to cater to such products.



## Auditors' Report

### To the Members of Indoco Remedies Limited

We have audited the attached Balance Sheet of INDOCO REMEDIES LIMITED as at 30th June, 2007 and also the Profit & Loss Account and Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's Management. Our responsibility is to express an opinion on these financial statements based on our audit.

1. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
2. As required by Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of sub section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure hereto a statement on the matters specified in paragraphs 4 & 5 of the said Order.
3. Further to our comments in the Annexure referred to in paragraph 2 above we report that :
  - (a) We have obtained all the information and explanations which to the best of our knowledge & belief were necessary for the purpose of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of these books.
  - (c) The Balance Sheet, Profit & Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
  - (d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the mandatory Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
  - (e) On the basis of written representations received from the Directors and taken on record by the Board of Directors we report that none of the Directors is disqualified as on 30th June, 2007 from being appointed as a Director in terms of Clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
  - (f) In our opinion and to the best of our information and according to the explanations given to us and read together with the significant accounting policies and other notes thereon give the information required by the Companies Act, 1956 in the manner so required and present a true and fair view, in conformity with the accounting principles generally accepted in India :
    - (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 30th June, 2007;
    - (ii) in the case of the Profit & Loss Account, of the profit of the Company for the year ended on that date; and
    - (iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For PATKAR & PENDSE  
*Chartered Accountants*

BM PENDSE  
*Partner*  
M. No. 32625

Mumbai : October 18, 2007





## Annexure

### To the Auditors' Report

*Referred To In Our Report Of Even Date For The Year Ended On 30th June, 2007*

1. (a) The Company had maintained proper records showing full particulars including quantitative details and situation of the fixed assets.  
(b) As explained to us the fixed assets had been physically verified by the management during the year in a phased periodical manner, which in our opinion is reasonable, having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.  
(c) In our opinion, the Company had not disposed off a substantial part of fixed assets during the year and the going concern status of the Company is not affected.
2. In respect of inventory :  
(a) as explained to us, inventories had been physically verified by the management at the end of the year.  
(b) in our opinion and according to the information and explanations given to us, the procedure of physical verification of inventories followed by the management is reasonable and adequate in relation to the size of the Company and the nature of its business.  
(c) the Company had maintained proper records of inventories. As explained to us, there were no material discrepancies noticed on physical verification of inventories as compared to book records.
3. The Company had not granted or taken any loans, secured or unsecured to / from companies, firms or other parties listed in the register maintained under section 301 of the Companies Act, 1956.
4. In our opinion and on the basis of information and explanations given to us, the Company has adequate internal control system commensurate with its size and the nature of its business for the purchase of finished goods, spares, plant and machinery, equipment and other assets and for the sale of goods and services. During the course of the audit we have not observed any major weakness in internal controls.
5. (a) The particulars of contracts or arrangements referred to in section 301 of the Act had been entered in the register required to be maintained under that section; and  
(b) Transactions made in pursuance of such contracts or arrangements had been made at prices which are reasonable having regard to the prevailing market prices at the relevant time.
6. The Company has not accepted any deposits from the public within the meaning of Sections 58A and 58AA of the Companies Act, 1956 and the Rules framed thereunder.
7. In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.
8. We have broadly reviewed the books of accounts maintained by the Company pursuant to the Rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima-facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the same.
9. In respect of statutory dues :  
(a) according to the records of the Company, undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Sales tax, Wealth tax, Service tax, Custom duty, Excise duty, Cess and any other statutory dues have been regularly deposited with the appropriate authorities. According to the information and explanations given to us, no undisputed amounts payable in respect of the aforesaid dues were outstanding as at 30th June, 2007 for a period of more than six months from the date they became payable.  
(b) the disputed statutory dues aggregating to Rs.652.49 lakhs have not been deposited on account of matters pending before appropriate authorities are as under :

Sr. No.	Particulars	Financial Years to which matter pertains	Forum where dispute is pending	Amount (Rs lakhs)
1.	Income Tax Act, 1961	1996-97 to 2001-02	ITAT, Mumbai	434.50
		2002-03	ITAT, Mumbai	64.48
		2003-04	ITAT, Mumbai	5.22
		2004-05	ITAT, Mumbai	11.14
2.	Central Excise Act, 1944	1995-96	CESTAT	0.64
		1997-98	Divisional Dy. Comm., Boisar	3.40
		1997-98	Divisional Dy. Comm., Mumbai	0.79
		1997-98	Hon'ble Supreme Court	2.92
		1998-99	Divisional Dy. Comm., Boisar	1.64
		2003-04	CESTAT	2.70
		2005-06	Divisional Dy. Comm., Goa	1.25
		2006-07	Commissioner - Thane II	91.97
		3.	Sales Tax	2000-01
2001-02	Dy Comm. of ST, Mumbai			1.47
2002-03	Dy. Comm. of ST, Kolkata			14.00
2003-04	Addl. Comm. of ST, Kolkata			15.98

10. The Company does not have accumulated losses. The Company had not incurred cash losses during the financial year covered by our audit and the immediately preceding financial year.
11. In our opinion and according to the information and explanations given to us, the Company had not defaulted in repayment of dues to a financial institution, bank or debenture holder.
12. The Company had not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
13. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 are not applicable to the Company.
14. In our opinion, the Company is not a dealer or trader in shares, securities, debentures and other investments.
15. According to the information and explanations given to us and the records examined by us, the Company had not given any guarantees for loans taken by others from banks or financial institutions.
16. In our opinion and according to the information and explanations given to us and on an overall examination, the term loans had been applied for the purpose for which they were raised.
17. In our opinion and according to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short term basis had been used for long term investment and vice versa.
18. According to the information and explanations given to us, the Company had not made any preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.
19. The Company had not issued debentures.
20. The Company had disclosed the end use of money raised by public issue during earlier year and the same was verified.
21. To the best of our knowledge and belief and according to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For PATKAR & PENDSE  
Chartered Accountants

BM PENDSE  
Partner  
M. No. 32625

Mumbai : October 18, 2007

## Balance Sheet

As at 30th June, 2007

	Schedule	Current Year Rs lakhs	Previous Year Rs lakhs
<b>SOURCES OF FUNDS</b>			
1) Shareholders' Funds :			
(a) Share Capital .....	A	1,182.17	1,182.17
(b) Share Capital Suspense .....	A1	46.50	-
(c) Reserves & Surplus .....	B	22,072.95	18,348.24
		<b>23,301.62</b>	19,530.41
2) Loan Funds :			
(a) Secured Loans .....	C	3,481.99	2,344.94
(b) Unsecured Loans .....	D	73.25	981.01
3) Deferred Tax :	E		
(a) Deferred Tax Liability.....		2,213.82	1,804.01
(b) Deferred Tax Asset .....		(144.66)	(51.33)
		<b>2,069.16</b>	1,752.68
<b>TOTAL</b> .....		<b>28,926.02</b>	<b>24,609.04</b>
<b>APPLICATION OF FUNDS</b>			
4) Fixed Assets :	F		
(a) Gross Block .....		20,671.85	13,115.89
Less : Depreciation .....		3,964.31	2,619.43
Net Block .....		16,707.54	10,496.46
(b) Capital Work in Progress including Capital Advances .....		167.88	454.99
		<b>16,875.42</b>	10,951.45
5) Investments .....	G	0.30	1,149.31
6) Current Assets, Loans & Advances :	H		
(a) Inventories .....		3,796.70	3,282.68
(b) Sundry Debtors .....		10,369.18	8,340.63
(c) Cash and Bank Balances .....		1,542.53	2,462.97
(d) Loans & Advances .....		2,064.23	4,020.56
		<b>17,772.64</b>	18,106.84
7) Less : Current Liabilities and Provisions :	I		
(a) Current Liabilities .....		4,647.80	4,680.78
(b) Provisions .....		1,127.09	1,005.78
		<b>5,774.89</b>	5,686.56
Net Current Assets .....		<b>11,997.75</b>	12,420.28
8) Miscellaneous Expenditure : (to the extent not written off or adjusted)	J	52.55	88.00
<b>TOTAL</b> .....		<b>28,926.02</b>	<b>24,609.04</b>

Schedules "A" to "J" and Notes to Accounts in Schedule "Q" form an integral part of the Balance Sheet.

As per our Report attached  
For **Patkar & Pendse**  
Chartered Accountants

**BM Pendse**  
Partner  
M. No. 32625

Mumbai : October 18, 2007

**Jagdish B Salian**  
Company Secretary

**Suresh G Kare**  
Chairman & Mg. Director

**FX Coutinho**  
**Sundeep V Bambolkar**  
**Aditi Kare Panandikar**  
Whole Time Directors

Mumbai : October 18, 2007



## Profit and Loss Account

For the year ended 30th June, 2007

	Schedule	Current Year Rs lakhs	Previous Year Rs lakhs
<b>INCOME</b>			
1) Sales & Operations .....		34,443.12	26,960.31
Less : Excise Duty .....		1,844.45	2,617.66
Net Sales .....		32,598.67	24,342.65
2) Other Income .....	K	483.01	840.67
(Refer Note No. 6 of Schedule 'Q')		33,081.68	25,183.32
<b>EXPENDITURE</b>			
3) Materials .....	L	14,304.24	10,736.30
4) Staff Cost .....	M	3,415.46	2,682.53
5) Other Expenditure .....	N	8,585.62	6,610.04
		26,305.32	20,028.87
<b>PROFIT BEFORE R &amp; D, INTEREST, DEPRECIATION, EXTRAORDINARY ITEM &amp; TAX</b>			
6) R & D Expenses .....	O	6,776.36	5,154.45
7) Interest .....	P	544.65	222.72
8) Depreciation .....		508.68	352.41
		902.53	595.29
<b>PROFIT BEFORE EXTRAORDINARY ITEM AND TAXATION.</b>			
9) Extraordinary item - VRS expenditure .....		4,820.50	3,984.03
		159.16	-
<b>PROFIT BEFORE TAX</b>			
10) Provision for Tax .....		4,661.34	3,984.03
(a) Current .....		520.20	249.00
(b) Deferred .....		275.08	776.35
(c) Fringe Benefit .....		69.99	120.34
(d) Earlier years .....		10.45	-
Mat Credit Entitlement .....		(418.20)	-
<b>PROFIT AFTER TAX</b>			
11) Balance brought forward from last year .....		4,203.82	2,838.34
12) Balance in Profit and Loss Account Credited pursuant to a scheme of Amalgamation :		1,826.43	1,330.57
Indoco Healthcare Limited .....		409.10	-
La Nova Chem (India) Private Limited (Refer Note No. 9 of Schedule 'Q')		15.45	-
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>			
13) Appropriations :		6,454.80	4,168.91
(a) Proposed Dividend .....		798.63	738.86
(b) Dividend Tax .....		135.73	103.62
(c) Transfer to General Reserve .....		1,500.00	1,500.00
(d) Balance Carried to Balance Sheet .....		4,020.44	1,826.43
14) Earning Per Share .....		6,454.80	4,168.91
Basic & Diluted (Rs.) .....		35.21	24.01

Schedules "K" to "P" and Notes to Accounts in Schedule "Q" form an integral part of the Profit and Loss Account.

As per our Report attached  
For **Patkar & Pendse**  
Chartered Accountants

**BM Pendse**  
Partner  
M. No. 32625

Mumbai : October 18, 2007

**Jagdish B Salian**  
Company Secretary

**Suresh G Kare**  
Chairman & Mg. Director

**FX Coutinho**  
**Sundeev V Bambolkar**  
**Aditi Kare Panandikar**  
Whole Time Directors

Mumbai : October 18, 2007

## Schedules

### Forming part of the Balance Sheet

#### SCHEDULE 'A' : Share Capital

	<i>Current Year Rs lakhs</i>	<i>Previous Year Rs lakhs</i>
1) Authorised : 1,80,00,000 Equity Shares of Rs 10/- each	<u>1,800.00</u>	<u>1,800.00</u>
2) Issued, Subscribed and Paid up : 1,18,21,714 (Previous year 1,18,21,714) Equity Shares of Rs 10/- each fully paid up.	<u>1,182.17</u>	<u>1,182.17</u>

Out of the above Equity Shares issued & subscribed :

- 3,500 Equity Shares are allotted as fully paid up to vendors pursuant to a contract without payment being received in cash in the year 1948-49
- 4,300 Equity Shares are allotted as fully paid up to a Director as consideration for purchase of land and building without payment being received in cash in the year 1948-49.
- 32,84,260 Equity Shares are issued as Bonus Shares by capitalising an equivalent amount from the Revaluation and General Reserve.

#### SCHEDULE 'A1' : Share Capital Suspense

a) 4,65,000 equity Shares of Rs. 10/- each fully paid up to be issued pursuant to the scheme of Amalgamation of Spa Pharmaceuticals Pvt Ltd. of their demerged Pharmaceutical Division with the Company	<u>46.50</u>	-
TOTAL.....	<u>46.50</u>	-

#### SCHEDULE 'B' : Reserves and Surplus

1) Capital Reserve .....	<b>0.02</b>	0.02
2) Share Premium As per last Balance Sheet .....	<b>7,035.27</b>	7,035.27
3) Revaluation Reserve As per last Balance Sheet .....	<b>0.08</b>	0.09
Less : Transfer to Profit and Loss Account .....	<b>0.01</b>	0.01
	<u>0.07</u>	<u>0.08</u>
4) Subsidy - Development Rebate Reserve	<b>7.50</b>	7.50
5) Investment Subsidy - Goa	<b>25.00</b>	-
6) General Reserve : As per last Balance Sheet	<b>9,478.94</b>	7,978.94
Add : Transfer from Amalgamating Companies	<b>5.70</b>	-
Add : Transfer from Profit and Loss Account .....	<b>1,500.00</b>	1,500.00
	<u>10,984.64</u>	<u>9,478.94</u>
7) Profit & Loss Account .....	<b>4,020.44</b>	1,826.43
TOTAL .....	<u><b>22,072.95</b></u>	<u>18,348.24</u>

## Schedules

### Forming part of the Balance Sheet

#### SCHEDULE 'C' : Secured Loans

	Current Year Rs lakhs	Previous Year Rs lakhs
1) Working Capital Demand Loans including Cash Credit facilities from Banks* .....	1,380.68	28.11
2) Foreign Currency Term Loan from State Bank of India ** .....	-	114.49
3) External Commercial Borrowings from ICICI Bank UK Ltd *** .....	1,018.75	1,100.75
4) Packing Credit * .....	87.28	497.64
5) Overdraft against Fixed Deposits **** .....	775.28	603.95
6) Term Loan from Bank ***** .....	220.00	-
<b>TOTAL</b> .....	<b>3,481.99</b>	<b>2,344.94</b>

\* Working Capital Facilities from banks are secured by hypothecation of Stocks and Book Debts, both present and future and further secured by Equitable Mortgage by Deposit of Title Deeds of Immovable Properties at Andheri- Mumbai, Verna-Goa (Goa -I & II), Patalganga and Corporate Office.

\*\* The Foreign Currency Non-Repatriable Borrowings from State Bank of India was secured by way of First charge on all Movable & Immovable properties of the Company located at Verna-Goa (Goa-II) and Second charge on all movable & immovable properties located at Verna-Goa (Goa-I & III) .

\*\*\* The ECB from ICICI Bank UK Ltd was secured by way of first charge on all movable, immovable properties of the Company located at Verna Goa I & III

\*\*\*\* Secured against Fixed Deposit Receipts pledged with Banks

\*\*\*\*\* The term loan from bank are secured by first pari-passu charged on all movabale and immovable fixed assets, both present & future located at Patalganga and Corporate Guarantee of the Company.

#### SCHEDULE 'D' : Unsecured Loans

1) Foreign Currency Packing Credit .....	-	324.91
2) Short Term Loans - Bank .....	-	656.10
3) Overdraft facility from Bank .....	73.25	-
<b>TOTAL</b> .....	<b>73.25</b>	<b>981.01</b>

#### SCHEDULE 'E' : Deferred Tax

1) Deferred Tax Liability		
(a) Depreciation .....	2,195.96	1,774.39
(b) Deferred Revenue Expenses .....	17.86	29.62
	<b>2,213.82</b>	<b>1,804.01</b>
Less :		
2) Deferred Tax Assets		
(a) Provision for Leave Encashment .....	57.89	40.85
(b) Provision for Doubtful Debts .....	10.58	10.48
(c) Voluntary Retirement Scheme .....	54.10	-
(d) Disallowance U/S 40(a)(i) .....	22.09	-
	<b>144.66</b>	<b>51.33</b>
<b>TOTAL</b> .....	<b>2,069.16</b>	<b>1,752.68</b>



## Schedules

### Forming part of the Balance Sheet

#### SCHEDULE 'F' : Fixed Assets

	GROSS BLOCK				DEPRECIATION			NET BLOCK			
	As at 1st July 2006	Additions on Amalgamations	Additions during the year	Deductions/ Sales during the Year	As at 30th June 2007	As at 1st July 2006	Additions on Amalgamations	For the Year	Deductions/ Sales during the year	As at 30th June 2007	As at 30th June 2006
Land (Lease Hold)	218.67	119.27	33.44	-	371.38	5.41	10.66	0.01	-	355.31	213.25
Buildings & Premises *	4,196.48	1,595.86	907.66	0.19	6,699.81	733.91	132.73	178.56	-	5,654.62	3,462.58
Plant & Machinery **	1,193.30	1,122.84	571.32	21.07	2,866.39	263.81	155.12	114.46	7.68	2,340.69	929.49
Handling Equipments	337.19	99.47	29.56	-	466.22	125.83	22.52	19.88	-	297.99	211.36
Pollution Control Equipments	165.37	35.43	44.27	-	245.07	51.69	8.02	8.92	-	176.44	113.68
Laboratory Equipments	456.33	154.22	154.57	-	765.12	68.15	15.44	34.43	-	647.09	388.18
R&D Equipments	1,657.07	-	87.98	5.80	1,739.26	209.41	-	93.01	2.98	1,439.82	1,447.66
Plant - Utilities	1,329.71	400.37	454.53	-	2,184.61	162.07	8.43	97.15	-	1,916.96	1,167.64
Electrical Installations	706.55	417.12	258.12	-	1,381.79	133.14	25.43	61.45	-	1,161.77	573.42
Furniture & Fixtures and Office & Data Processing Equipments	1,128.18	139.15	206.39	-	1,473.72	556.48	48.74	126.93	-	741.56	571.70
Air-conditioning Unit	688.59	695.27	46.34	-	1,430.20	136.22	24.36	63.92	-	1,205.70	552.37
Vehicles	101.15	11.02	13.41	15.75	109.83	15.58	4.79	25.85	4.20	67.80	85.57
Trade Mark	937.30	-	-	-	937.30	157.76	-	77.96	-	701.58	779.55
Technical Knowhow	-	1.15	-	-	1.15	-	0.94	0.01	-	0.20	-
<b>Total</b>	<b>13,115.89</b>	<b>4,791.18</b>	<b>2,807.59</b>	<b>42.81</b>	<b>20,671.85</b>	<b>2,619.43</b>	<b>457.18</b>	<b>902.53</b>	<b>14.86</b>	<b>16,707.54</b>	<b>10,496.46</b>
Previous year	10,275.89	-	2,895.87	55.88	13,115.89	2,064.61	-	595.29	40.47	10,496.46	-
Capital Work-in-Progress (Including Capital Advances)	-	-	-	-	-	-	-	-	-	167.88	454.99
<b>Total</b>										<b>16,875.42</b>	<b>10,951.45</b>

\* Buildings & Premises at cost includes Rs.250/- in respect of 5 unquoted shares of Rs.50/- each of Gokul Nandanvan Co-operative Housing Society Limited and Rs.250/- in respect of unquoted shares of Rs.50/- each of Apna Ghar Unit No-54 Co-operative Housing Society Limited.

\*\* Depreciation on Plant and Machinery to the extent revalued is debited to Revaluation Reserve Account.

\*\*\* In view of amalgamation; assets which were under construction amounting to Rs 933.95 lakhs belonging to M/s La Nova Chem (India) Pvt. Ltd also got transferred to the company. The additions during the year includes capitalization of these assets which were under construction and transferred to the company.

## Schedules

### Forming part of the Balance Sheet

#### SCHEDULE 'G' : Investments

		Current Year Rs lakhs	Previous Year Rs lakhs
1) <b>Unquoted : (at cost)</b>			
(a) <i>Trade - In Subsidiary Companies</i>			
(i) Shares of Indoco Healthcare Limited	-	490.00	
(ii) Shares of Indoco Holdings Netherlands BV	-	25.78	
		-	515.78
(b) <i>Non-Trade - Government Securities</i>			
(i) 12 Yrs National Defence Certificates	0.01	0.01	
(ii) 7 Yrs National Savings Certificates	0.18	0.18	
		0.19	0.19
(c) <i>Shares of Saraswat Co-op. Bank Ltd.</i> (1,000 Ordinary Shares of Rs 10/- each)		0.10	0.10
2) <b>Quoted</b>			
(a) <i>Current</i>			
Investment in Mutual Funds			
Monthly Income Funds		-	633.23
(b) <i>Long Term (at Cost)</i>			
Shares of Citurgia Bio-Chemicals Ltd. (100 Equity Shares of Rs 10/- each) Market Value - Rs 1,650 Previous Year - Rs 2,000		0.01	0.01
<b>TOTAL</b> .....		<b>0.30</b>	<b>1,149.31</b>

#### Annexure to Schedule - 'G' : Investments Quoted

Sr. No	Particulars	Balance As on 1st July 2006		Purchased / Reinvested during the year		Redeemed during the year		Rs lakhs	
								Balance As on 30th June 2007	
		Units	Value	Units	Value	Units	Value	Units	Value
(A)	<b>MONTHLY INCOME FUNDS</b>								
1	HDFC Monthly Income Plan - Short Term - Monthly Dividend	584727.729	61.97	12844.822	1.32	597572.551	63.29	-	-
2	Prudential ICICI MIP Dividend monthly	3263946.410	373.13	48586.223	5.49	3312532.633	378.62	-	-
3	Reliance MIP Dividend Monthly	572647.190	65.33	9523.961	1.06	582171.151	66.39	-	-
4	HDFC Monthly Incom Plan - Long Term - Monthly Dividend	1153014.710	132.80	25872.741	2.29	1178887.451	135.09	-	-
	<b>TOTAL MONTHLY INCOME FUNDS</b>	-	<b>633.23</b>	-	<b>10.16</b>	-	<b>643.39</b>	-	-
(B)	<b>LIQUID FUNDS</b>								
1	LICMF Liquid Fund	-	-	2805665.576	308.06	2805665.576	308.06	-	-
2	DSP Merrill Lynch Liquid Plus Fund	-	-	20190.443	201.94	20190.443	201.94	-	-
3	TATA Liquidity Management Fund - Daily Dividend	-	-	9032.330	90.53	9032.330	90.53	-	-
4	Reliance Liquid Fund - Treasury Plan-Retail	-	-	442571.680	67.45	442571.680	67.45	-	-
5	HDFC Cash Management Fund - Savings Plan-Daily Dividend	-	-	1285256.382	136.71	1285256.382	136.71	-	-
6	P32D Prudential ICICI Liquid Plan-Daily Dividend Option	-	-	696325.012	82.52	696325.012	82.52	-	-
7	HDFC Liquid Fund	-	-	463472.853	47.27	463472.853	47.27	-	-
	<b>TOTAL LIQUID FUNDS</b>	-	-	-	<b>934.48</b>	-	<b>934.48</b>	-	-
	<b>TOTAL (A + B)</b>	-	<b>633.23</b>	-	<b>944.64</b>	-	<b>1577.87</b>	-	-

## Schedules

### Forming part of the Balance Sheet

#### SCHEDULE 'H' : Current Assets, Loans and Advances

	Current Year Rs lakhs	Previous Year Rs lakhs
1) Current Assets :		
<i>(As certified by the Management)</i>		
Inventories (At Cost)		
(a) Stock of Consumables	36.47	61.65
(b) Stock in Trade :		
(i) Raw and Packing Materials.....	1,574.53	1,233.01
(ii) Finished Goods.....	1,935.30	1,845.01
(iii) Work in Progress.....	250.40	143.01
	3,796.70	3,282.68
Sundry Debtors		
<i>Unsecured</i>		
(a) Debts outstanding for more than Six months		
Considered Good.....	1,062.87	549.03
Considered Doubtful.....	31.13	31.13
	1,094.00	580.16
Less : Provision for Doubtful Debts .....	31.13	31.13
	1,062.87	549.03
(b) Other Debts :		
Considered Good.....	9,306.31	7,791.60
	10,369.18	8,340.63
Cash and Bank Balances		
(a) Cash on hand.....	23.31	8.11
(b) Balances with Scheduled Banks :		
(i) In Current Accounts.....	1,003.96	996.74
(including Equity Shares Application Money		
of Rs 8.82 Lakhs, Previous Year Rs 13.17 Lakhs)		
(ii) In Fixed Deposit Accounts.....	402.06	1,349.26
(iii) In Margin Accounts.....	105.00	102.72
(iv) In Unpaid Dividend Accounts .....	8.20	6.14
	1,542.53	2,462.97
2) Loans and Advances :		
<i>(Unsecured, Considered Good, unless stated otherwise)</i>		
(a) Loans to subsidiary companies .....	-	2,404.27
(b) Advances recoverable in cash or in kind		
or for the value to be received .....	1,515.34	1,174.05
(c) Advance Income Tax (Net) .....	369.25	393.99
(d) Balances in Excise Accounts .....	179.64	47.25
(e) Inter Corporate Deposits .....	-	1.00
	2,064.23	4,020.56
TOTAL.. .....	17,772.64	18,106.84



## Schedules

### Forming part of the Balance Sheet

#### SCHEDULE 'I' : Current Liabilities and Provisions

	<i>Current Year</i> <i>Rs lakhs</i>	<i>Previous Year</i> <i>Rs lakhs</i>
1) Current Liabilities :		
(a) Sundry Creditors .....	3,239.07	3,381.06
(b) Unclaimed Dividend * .....	7.80	6.12
(c) Interest accrued but not due on loans .....	32.35	26.60
(d) Equity share application money refundable	8.82	13.17
(e) Security Deposit Payable.....	499.44	476.04
(f) Other Liabilities .....	860.32	777.79
	<u>4,647.80</u>	<u>4,680.78</u>
<i>* Liability towards Investor Education and Protection Fund - Not due</i>		
2) Provisions :		
(a) Provision for Bonus .....	22.40	41.94
(b) Proposed Dividend .....	798.64	738.86
(c) Dividend Tax .....	135.73	103.62
(d) Provision for Leave Encashment .....	170.32	121.36
	<u>1,127.09</u>	<u>1,005.78</u>
TOTAL .....	<u><u>5,774.89</u></u>	<u><u>5,686.56</u></u>

#### SCHEDULE 'J' : Miscellaneous Expenditure (to the extent not written off or adjusted)

As per last Balance Sheet .....	88.00	140.09
Add : Additions during the year .....	17.62	61.19
Less : Amortised during the year .....	(53.07)	(113.28)
TOTAL .....	<u><u>52.55</u></u>	<u><u>88.00</u></u>

## Schedules

### Forming part of the Profit and Loss Account

#### SCHEDULE 'K' : Other Income

	Current Year Rs lakhs	Previous Year Rs lakhs
1) Dividend Received .....	15.87	68.02
2) Interest Received .....	56.85	236.08
3) Profit on Sale of Fixed Assets .....	60.89	91.25
4) Exchange Gain .....	189.85	141.74
5) Export Incentives .....	73.64	74.60
6) Sales Tax Refund .....	-	0.75
7) Sundry Balances Written Back .....	6.65	23.08
8) Profit on Sale of Investments .....	5.49	146.40
9) Sundry Receipts .....	73.77	58.75
<b>TOTAL .....</b>	<b>483.01</b>	<b>840.67</b>

Refer Note No.6 of Schedule 'Q'

#### SCHEDULE 'L' : Materials

1) Cost of Materials Consumed :		
Opening Stock .....	1,536.02	1,264.71
Add : Purchases .....	10,974.58	7,695.33
Less : Closing Stock .....	1,592.55	1,233.01
	<b>10,918.05</b>	7,727.03
2) Purchase of Finished Goods .....	3,304.70	3,373.51
3) Excise Duty .....	171.25	238.39
4) Increase in Stock of Finished Goods and WIP :		
(a) Opening Stock .....	2,077.92	1662.15
(b) Closing Stock .....	(2,167.68)	(1,988.02)
	<b>(89.76)</b>	(325.87)
5) Insurance Claim received .....	-	(276.76)
<b>TOTAL .....</b>	<b>14,304.24</b>	<b>10,736.30</b>

#### SCHEDULE 'M' : Staff Cost

1) Salaries, Wages and Bonus .....	2,983.91	2,359.83
2) Contribution to Provident and Other Funds .....	357.82	259.99
3) Staff Welfare Expenses .....	73.73	62.71
<b>TOTAL .....</b>	<b>3,415.46</b>	<b>2,682.53</b>

## Schedules

### Forming part of the Profit and Loss Account

#### SCHEDULE 'N' : Other Expenditure

	Current Year Rs lakhs	Previous Year Rs lakhs
1) Consumable Stores.....	114.80	71.51
2) Job Work Charges.....	577.13	674.25
3) Power and Fuel .....	1,015.60	706.12
4) Rent, Rates and Taxes .....	109.93	99.44
5) Insurance.....	83.54	48.59
6) Repairs :		
(a) Buildings.....	92.40	40.12
(b) Plant and Machinery.....	188.89	129.99
(c) Others .....	127.00	149.88
	<b>408.29</b>	319.99
7) Packing and Delivery Expenses.....	1,123.55	661.84
8) Analytical Expenses .....	146.88	96.07
9) Turnover and Additional Tax .....	30.66	40.34
10) Advertising and Sales Promotion Expenses.....	1,160.03	931.27
11) Commission and Incentives on Sales.....	841.26	625.66
12) Travelling, Conveyance and Motor Car Expenses	1,533.57	1,290.84
13) Legal and Professional Fees.....	71.49	52.58
14) Directors' Sitting Fees .....	1.22	1.32
15) Postage, Telephone and Telex Expenses.....	111.93	79.37
16) Printing and Stationery Expenses.....	160.59	122.70
17) Payments to Auditors :		
(a) Audit Fees .....	1.98	1.50
(b) Tax Audit Fees .....	0.40	0.30
(c) Other Services .....	1.81	0.03
	<b>4.19</b>	1.83
18) Loss on Sale of Investments .....	1.08	1.12
19) Loss on Sale of Assets .....	8.44	2.60
20) Investments written off .....	17.45	-
21) Miscellaneous Expenditure written off .....	53.07	113.27
22) Exchange Loss .....	312.50	97.29
23) Other Expenses .....	666.92	572.04
24) Goodwill on amalgamation written off* .....	31.50	-
TOTAL .....	<b>8,585.62</b>	6,610.04

\* Refer Note No. 9(iv) of Schedule 'Q'

#### SCHEDULE 'O' : R&D Expenses\*

1) R&D Employee Cost .....	210.23	74.90
2) Other R&D Expenses .....	334.42	147.82
TOTAL .....	<b>544.65</b>	222.72

\* Refer Note No. 5 of Schedule 'Q'

#### SCHEDULE 'P' : Interest

1) Interest on Fixed Loans from Banks .....	163.63	87.79
2) Interest on Other Facilities from Banks .....	111.96	105.42
3) Interest on Other Unsecured Loans .....	233.09	159.20
TOTAL .....	<b>508.68</b>	352.41



## Notes Forming Part of Accounts for the year ended June 30, 2007.

### SCHEDULE 'Q' :

#### 1) Significant Accounting Policies :

- (a) Basis of preparation of financial statements –
  - (i) The financial statements have been prepared under the historical cost convention in accordance with the generally accepted accounting principles as adopted consistently by the Company and the provisions of the Companies Act, 1956.
  - (ii) Accounting policies not specifically referred to otherwise are consistent with generally accepted accounting principles.
- (b) Fixed Assets, Depreciation and Amortisation –
  - (i) Fixed Assets are stated at cost net of cenvat. Pre-operative expenses including trial-run expenses are capitalised. Interest on borrowings till commencement of commercial production attributable to fixed assets are capitalised. Depreciation on Fixed Assets is provided on the written down value at the rates and in the manner prescribed in Schedule XIV of the Companies Act, 1956 on all assets except assets at Goa, Patalganga and R & D Centre at Rabale which is provided on straight line method.
  - (ii) Trademarks are recorded at their acquisition cost and amortised on the straight-line-method over their estimated economic life of ten years.
- (c) Investments –  
Long Term Investments are stated at cost less provision, if any, for permanent diminution in the value of such investment.
- (d) Inventories –
  - (i) Raw materials and Packing materials are valued at cost or net realisable value, whichever is lower.
  - (ii) Goods-in-process are valued at cost including related overheads or net realisable value whichever is lower.
  - (iii) Finished goods are valued at cost or net realisable value whichever is lower.
- (e) Basis of Accounting –  
The Company generally follows mercantile system of accounting and all income and expenditure items having a material bearing on the financial statements are recognised on accrual basis.
- (f) Foreign Currency Transactions –  
The transactions in Foreign Exchange relating to Investments, Current Assets and Current Liabilities are accounted at exchange rate prevailing on the date of the transaction. Exchange fluctuations on settlement are charged to Profit & Loss Account. Year end balances are translated at closing rates and gains and losses thereon are charged to Profit & Loss Account. Exchange differences on settlement of transactions on fixed assets are included in cost of the Assets.  
  
In respect of the transactions covered by forward exchange contracts, the difference between the contract rate and the spot rate on the date of the transaction is charged to the Profit and Loss Account over the period of the Contract, except in case of liabilities incurred for acquiring fixed assets.
- (g) Sales –  
Sales are accounted inclusive of excise duty but are net of discounts and sales tax.
- (h) Excise Duty –  
Excise Duty is accounted for as and when paid on the clearance of the goods from bonded premises. Provision is made at the year end for excise duty in respect of finished products lying in the bonded premises.
- (i) Employees' Retirement and Other Benefits –  
Company's contribution to Provident, Superannuation Funds is accounted on accrual basis and charged to Profit & Loss Account. The Company also provides for unutilised leave benefits and Gratuity to its employees on actuarial valuation.
- (j) Borrowing Cost –  
Borrowing Costs that are attributable to the acquisition or construction of qualifying assets are capitalised as a part of the cost of such assets upto the date when the assets is ready for its intended use.
- (k) Research & Development Expenses –  
Research & Development costs of revenue nature are charged to Profit & Loss Account when incurred. Expenditure of

## Notes Forming Part of Accounts for the year ended June 30, 2007.

capital nature is capitalised and depreciation is provided on these assets as per the provisions of the Companies Act, 1956.

(l) Miscellaneous Expenditure –

The expenditure incurred on registration of products in the International Market is amortized over 4 years on the basis of estimated benefits derived in each year.

(m) Taxes on Income –

Current tax is determined as the amount of tax payable in respect of taxable income for the period.

Deferred tax is recognised, subject to the consideration of prudence, on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

(n) Impairment of Fixed Assets –

At the end of each year, the Company determines whether a provision should be made for impairment loss on fixed assets by considering the indications that an impairment loss may have occurred in accordance with Accounting Standard (AS-28) "Impairment of Assets" issued by the Institute of Chartered Accountants of India. An impairment loss is charged to the Profit and Loss Account in the year in which, an asset is identified as impaired, when the carrying value of the asset exceeds its recoverable value. The impairment loss recognised in prior accounting periods is reversed, if there has been a change in the estimate of recoverable amount.

	<i>Current Year Rs Lakhs</i>	<i>Previous Year Rs Lakhs</i>
2) Contingent Liabilities Not Provided For :		
(a) Matters under dispute		
(i) Sales Tax .....	<b>32.34</b>	0.89
(Rs 0.50 Lakhs has been paid under protest)		
(ii) Excise / Service Tax .....	<b>105.31</b>	13.72
(iii) Income Tax .....		
– Where the Company is in appeal	<b>156.81</b>	163.88
(Rs 48.30 lakhs has been paid		
under protest)		
– Where the department is in appeal	<b>406.83</b>	325.01
(iv) In respect of claims made against the Company		
not acknowledged as debts (Labour matters)	<b>21.73</b>	20.74
(b) Bank Guarantees .....	<b>92.25</b>	78.05
(c) Letters of Credit .....	<b>234.87</b>	391.74
(d) Estimated amount of contracts remaining to be		
executed on Capital Account [net of advances of		
Rs 75.21 Lakhs (Previous year Rs 302.23 Lakhs)]	<b>141.88</b>	132.74
(e) Corporate Guarantee (Given for erstwhile		
Indoco Healthcare Ltd. & LaNova Chem (India)		
Pvt. Ltd. which are merged with the company)	<b>3,200.00</b>	2,000.00
3) Remuneration / Perquisites paid / payable to		
Managing / Whole-time Directors (Included in staff cost)		
(a) Salary .....	<b>115.60</b>	92.36
(b) Commission .....	<b>60.00</b>	15.00
(c) Provident & Super Annuation Fund Contribution	<b>23.74</b>	18.46
(d) Other Perquisites .....	<b>12.35</b>	5.72
	<b>211.69</b>	131.54

## Notes Forming Part of Accounts for the year ended June 30, 2007.

	<i>Current Year</i> <i>Rs lakhs</i>	<i>Previous Year</i> <i>Rs lakhs</i>
4) Computation of Net Profit under Section 349 of the Companies Act, 1956 :		
(a) Profit before Tax as per Profit and Loss Account	<b>4,661.34</b>	3,984.03
<i>Add</i> : (i) Loss on Sale of Fixed Assets ....	<b>8.44</b>	2.61
(ii) Loss on Sale of Investments ....	<b>1.08</b>	1.12
(iii) Investment written off.....	<b>17.45</b>	-
(iv) Depreciation .....	<b>902.53</b>	595.29
(v) Directors' Sitting Fees .....	<b>1.22</b>	1.32
(vi) Directors' Remuneration .....	<b>211.69</b>	131.54
	<b>5,803.75</b>	4,715.91
<i>Less</i> : (i) Profit on Sale of Fixed Assets ....	<b>60.89</b>	91.25
(ii) Depreciation u/s 350 .....	<b>902.53</b>	595.29
(iii) Profit on Sale of Investment .....	<b>5.49</b>	146.40
Net Profit .....	<b>4,834.84</b>	3,882.97
(b) Commission Payable to the Managing Director	<b>60.00</b>	15.00
5) Research & Development expenses include salary & wages, chemicals/materials consumed, electricity, travel, repairs, insurance premium and similar such expenses.		
6) Tax deducted at source from Other Income consists of :		
(i) Rs 0.98 lakhs on account of Professional or Technical Services(Previous year Rs Nil)		
(ii) Rs 0.65 lakhs on account of Job work Charges (Previous Year Rs 0.02 lakhs)		
(iii) Rs 23.36 lakhs on account of Interest received (Previous Year Rs 52.82 lakhs)		
7) Tax Provisions :		
The tax year for the Company being the year ending 31st March, the provision for taxation for the year is the aggregate of the provision made for the 9 months ended March 31,2007 and the provision based on the figures for the remaining 3 months upto June 30, 2007, the ultimate tax liability of which will be determined on the basis of figures for the period April 01, 2007 to March 31, 2008.		
8) During the year, the company closed its pharmaceuticals formulation unit located at Andheri, Mumbai. The workmen of the factory were offered retirement under Voluntary Retirement Scheme. The immovable properties of the factory will be put to alternative use. Remaining assets have been transferred to the other location of the company.		
9) (i) The Company received the approval of the Hon'ble High Court of Mumbai for amalgamation of LaNova Chem (India) Pvt. Ltd. and the pharmaceutical Division of SPA Pharmaceuticals Pvt. Ltd. In terms of the said amalgamation proposal the entire business and undertakings of LaNova Chem (India) Pvt. Ltd. including all the assets and liabilities has been transferred and vested with Indoco Remedies Ltd. with effect from the appointed Day on 1st July, 2006 and the assets and liabilities pertaining to the pharma Division of SPA Pharmaceuticals Pvt. Ltd. with effect from 1st April, 2007. The shareholders of the SPA Pharmaceuticals Pvt. Ltd. are entitled to 4,65,000 shares of Rs. 10/- each fully paid up in the Company and these shares shall rank pari pasu with the existing shares of the Company. Pending allotment of shares have been shown under "Share Capital Suspense Account"		
The Company has also received the sanction of the Hon'ble High Court of Himachal Pradesh for a proposal to amalgamate the Company's wholly owned subsidiary, Indoco Healthcare Ltd. with the Company. In terms of the said sanction, the entire business and undertakings and all the assets and liabilities of Indoco Healthcare Ltd. shall stand transferred and vested with the Company with effect from 1st July, 2005.		
(ii) The amalgamations with Indoco Healthcare Ltd. and LaNova Chem (India) Pvt. Ltd. are in the nature of merger and are accounted for under the 'pooling of interest' method as prescribed by the Accounting Standard (AS-14) issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and reserves of Indoco Healthcare Ltd, LaNova Chem (India) Pvt. Ltd. as at respective appointed dates have been merged at their book values. The amalgamation with SPA Pharmaceuticals Pvt. Ltd. is in the nature of purchase and accordingly accounted for under "Purchase method" as prescribed by accounting standard (AS-14) issued by ICAI.		

## Notes Forming Part of Accounts for the year ended June 30 , 2007.

(iii) The following total Assets & Liabilities were merged at cost as per the above schemes of Amalgamation.

Assets	
(a) Fixed Assets ( Including CWIP)	5267.97
(b) Current Assets	1220.32
Liabilities	
(a) Loan Funds	999.73
(b) Current Liabilities	922.45

(iv) The excess of cost of investment over the assets and liabilities of Companies amalgamated as aforesaid, being goodwill of Rs.31.50 lakhs has been written off to the profit and loss account.

(v) As a result of above, figures in respect of current financial year are not comparable with those of the previous financial year.

10) The Company's exclusive business is manufacturing and selling of pharmaceutical products comprising of bulk drugs and formulations and therefore it is the only reportable segment as per Accounting Standard 17 on segment reporting issued by the Institute of Chartered Accountants of India. Although the Company caters to the needs of export markets, the export turnover is not significant in the context of total turnover. As such there is no reportable geographical segment.

11) Earnings Per Share (EPS) :	<i>Current Year</i>	<i>Previous Year</i>
(a) Profit After Tax (Rs lakhs)	<b>4,203.82</b>	2,838.34
(b) Weighted Average Number of Ordinary Shares for Basic EPS	<b>11,937,964</b>	11,821,714
(c) Effect of Potential Ordinary Shares	-	-
(d) Weighted Average Number of Ordinary Shares for Diluted EPS	<b>11,937,964</b>	11,821,714
(e) Earnings Per Share (Face Value Rs10/- Per Share)		
(i) Basic (a/b)	<b>35.21</b>	24.01
(ii) Diluted (a/d)	<b>35.21</b>	24.01

12) Related Party Disclosure as required by Accounting Standard 18 issued by the Institute of Chartered Accountants of India.

### A. RELATIONSHIPS :

(i) Shareholders of the Company :

(a) SPA Pharmaceuticals Private Limited (b) Shanteri Investments Private Limited

(ii) Other Parties :

(a) AK Services (b) Indoco Capital Markets Limited  
(c) Indoco Global Markets Pvt Ltd

(iii) Directors and their Relatives :

Mr Suresh G Kare, Mr SY Rege, Mr PK Kakodkar, Mr DN Mungale, Mr DM Sukthankar, Dr MR Narvekar, Mr DM Gavaskar, Mr Rajiv P Kakodkar, Mr Atul S Rajadhyaksha, Mr Sundeep V Bambolkar, Mr FX Coutinho, Ms Aditi Kare Panandikar, Ms Aruna S Kare, Ms Madhura A Ramani, Late Dr Shantaram Panandikar, Ms Ivy Coutinho, Ms Neeta S Bambolkar



## Notes Forming Part of Accounts for the year ended June 30 , 2007.

### B. TRANSACTIONS WITH THE RELATED PARTIES :

(i) Details relating to parties referred to in items A(i) and A(ii) above - (Rs lakhs)

Nature of Transaction	Shareholders of the Company A (i)		Subsidiary Company*		Other Parties A (ii)	
	Current Year	Previous Year	Current Year	Previous Year	Current Year	Previous Year
Sale of Goods and Services .....	1.00	36.87	-	50.44	-	-
Purchase of Goods and Services .....	524.42	436.82	-	718.29	30.55	30.99
Loans Given .....	-	-	-	1,780.77	-	-
Commission (Expenses) .....	-	-	-	-	63.76	54.08
Balance at the year end : Credit .....	5	7.95	-	318.21	60.23	3.97
Investment in Shares .....	-	-	-	-	-	-

\* refer note no 9

(ii) Details relating to persons referred to in item A(iii) above - (Rs lakhs)

Nature of Transactions	Current Year	Previous Year
Remuneration .....	212.24	131.54
Rendering of Services .....	19.35	17.92
Loan Received & Repaid .....	267.00	-
Directors' Sitting Fees .....	1.22	1.32
Balance at the year end : Credit .....	-	0.26

### 13) Capacities and Production\* :

	Unit	Current Year		Previous Year	
		Installed Capacity Per annum	Actual Production	Installed Capacity Per annum	Actual Production
Liquid Orals	KL	4,200	2,050.20	2,800	2,420.40
Tablets	Million	3,324	3,362.39	2,480	1,603.78
Sweetner Tablets	Million	1,200	994.16	1,200	1,141.94
Capsules	Million	-	33.36	-	33.39
Injectibles and Eye Preparations	KL	222	185.91	220	168.92
Ointments and Lotions	Tonnes	461	102.19	150	62.64
Toothpaste and Mouth Gel	Tonnes	1,180	676.58	400	610.48
Bulk Drug	Tonnes	638	199.24	-	-

\* Actual production includes goods manufactured at third party manufacturing facilities on loan licence basis.

### Notes Forming Part of Accounts for the year ended June 30, 2007.

14) Sales and Purchases in respect of each class of Finished Goods :	Unit	<b>Sales</b>				<b>Purchases</b>			
		<b>Current Year</b>		Previous Year		<b>Current Year</b>		Previous Year	
		Qty	Value Rs lakhs	Qty	Value Rs lakhs	Qty	Value Rs lakhs	Qty	Value Rs lakhs
Liquid Orals	KL	<b>2,385.18</b>	<b>6,529.64</b>	2,633.46	5,600.36	<b>206.37</b>	<b>311.92</b>	322.92	387.85
Tablets	Million	<b>3,311.68</b>	<b>17,392.27</b>	1,771.83	13,245.19	<b>79.74</b>	<b>1,385.48</b>	153.61	1,568.07
Sweetner Tablets	Million	<b>994.18</b>	<b>187.60</b>	1,141.92	136.41	–	–	–	–
Capsules	Million	<b>43.20</b>	<b>1,100.82</b>	40.10	691.60	<b>10.12</b>	<b>251.45</b>	4.84	79.42
Injectibles & Eye Preparations	KL	<b>198.43</b>	<b>2,837.53</b>	199.08	2,480.49	<b>12.71</b>	<b>486.98</b>	34.26	245.21
Ointments & Lotions	Tonnes	<b>261.95</b>	<b>1467.47</b>	235.76	1321.57	<b>155.23</b>	<b>225.38</b>	168.39	369.15
Toothpaste & Mouth Gel	Tonnes	<b>724.93</b>	<b>2947.60</b>	638.61	2426.99	<b>1.17</b>	<b>6.81</b>	70.61	202.74
Bulk Drugs & Others	–	<b>293.33</b>	<b>1980.19</b>	–	1057.70	<b>105.31</b>	<b>636.63</b>	–	521.08
			<b>34443.12</b>		26960.31		<b>3304.70</b>		3373.51

### 15) Stock of Finished Goods :

	Unit	<b>As at 30th June 2007</b>		<b>As at 30th June 2006</b>	
		Qty	Value Rs lakhs	Qty	Value Rs lakhs
Liquid Orals	KL	<b>198.81</b>	<b>332.58</b>	327.42	470.81
Tablets	Million	<b>229.08</b>	<b>869.24</b>	97.51	780.69
Sweetner Tablets	Million	–	–	.02	–
Capsules	Million	<b>4.86</b>	<b>111.20</b>	4.58	47.44
Injectibles & Eye Preparations	KL	<b>32.37</b>	<b>357.59</b>	32.18	290.06
Ointments & Lotions	Tonnes	<b>34.59</b>	<b>81.89</b>	39.12	98.32
Toothpaste & Mouth Gel	Tonnes	<b>31.90</b>	<b>49.78</b>	77.40	141.34
Bulk Drugs	–	<b>22.76</b>	<b>133.02</b>	–	16.35
			<b>1,935.30</b>		1,845.01

## Notes Forming Part of Accounts for the year ended June 30 , 2007.

### 16) Consumption of Materials :

	Current Year		Previous Year	
	Qty Tonnes	Value Rs lakhs	Qty Tonnes	Value Rs lakhs
(a) Raw Materials – Azithromycin, Cefadroxyl, Gliclazide, Methycobalamine, Metformin Hydro, Ibuprofen, Paracetamol, Ofloxacin, Sugar Ciprofloxacin etc.	2,955.20	7,019.83	2,078.96	4,862.13
(b) Packing Materials – Aluminium Foils, Tubes, Glass Bottles, Cartons, Labels, PVC Films, PP Caps, Plastic Containers, Boxes, Shippers etc. ....	–	3,898.22	–	2,864.90
Total .....		<b>10,918.05</b>		<b>7,727.03</b>

### 17) Imported and Indigenous Materials Consumed :

	Value	Percentage	Value	Percentage
	Rs lakhs		Rs lakhs	
(a) Raw and Packing Materials –				
(i) Imported .....	1,851.57	16.96	714.23	9.24
(ii) Indigenous .....	9,066.48	83.04	7,012.80	90.76
Total .....	<b>10,918.05</b>	<b>100.00</b>	7,727.03	100.00
(b) Stores and Spares consumed Indigenous .....	<b>114.80</b>	<b>100.00</b>	71.51	100.00

	Rs lakhs	Rs lakhs
18) Earnings in Foreign Currency (FOB value) .....	<b>6,814.42</b>	4,180.75

### 19) Expenditure in Foreign Currency :

(a) On Travel and Export Promotion .....	<b>146.19</b>	133.84
(b) On Interest on Foreign Currency Loan .....	<b>82.73</b>	91.66
(c) Others .....	<b>11.63</b>	14.51

### 20) Value of Imports CIF Basis

(a) Raw Materials .....	<b>1,713.89</b>	701.53
(b) Capital Goods .....	<b>82.93</b>	942.62

### 21) The list of small scale undertakings to whom amount is outstanding for more than 30 days is as follows :

*Amijal Chemicals, Anupam Traders, Anuh Pharma Ltd., Anand Enterprises, Amish Drugs and Chemicals, Autocal, Ava Engineers, Airtech, Aarti Pharma, AH Enterprises, Apex Drugs & Intermediate Ltd., Bright India Enterprises, Beauty Art, Brajesh Packaging Pvt. Ltd., Bimal Pharma Pvt. Ltd., Balaji Engravers, Chintamani Plastics, Cambrex India (Pvt) Ltd., Chirag Industries, Deep Enterprises (Daman), DM Printers, Dishika Ent., Devson Impex Pvt. Ltd., Enar Chemie Pvt. Ltd., Expo Engineers, Florale (India) Pvt. Ltd., Farmacem, Glamour Packaging Industries, Greenearth Engineers & Consultants, Hindustan Phosphates Pvt. Ltd., Heeshi Tubes, Ishit Enterprises, JB Khokani & Company, Jiva Kuka & Co., Jamnadas Industries, Kalapi Printing Press, Kitten Enterprises Pvt. Ltd., KR Bedmutha & Techno Associates, Kruger M & E Industries (India) Pvt. Ltd., LGC*

**Notes Forming Part of Accounts for the year ended June 30 , 2007.**

*Promochem India Ltd., Medi Closures, Multipac, Madhu Silica, MDS Automation, MSD Enterprise, Madhav Packers, Nimach Engineering Co., Newtronic Equipment Company, Nimit Kraftpack Industries, Naresh SP, Para Products Pvt. Ltd., Power Gun Systems Pvt. Ltd., Popawala & Co., Press & Pack Industries, Remi Sales & Engg Ltd. Reva Printery, Rukmini Pack Print, Rohini Flexo Pack Pvt. Ltd. Responsive Industries Ltd., Renu Prints Pvt. Ltd., Shroff Enterprises, Sunil Chemicals, Salicylate and Chemicals Pvt. Ltd., Sundeep Pharma Ltd., Sharprint Packaging, Shailiesh Packaging, Satyam Industries SS Enterprises, Shah Chemical Corporation, Velpack Private Ltd., Tropical Nortec, Tria Packaging, Unicorn Petroleum Ind. Pvt. Ltd., VP Mehta & Co. Ven-Petro Chem & Pharma P. Ltd., Vital Flavours & Fragrances, Vasundhara Rasayans Ltd., Varian India Pvt Ltd., Vilam exports P. Ltd., Zena Plastic Ltd.*

These outstandings are in the normal course of business. The above information has been compiled in respect of parties to the extent to which they could be identified as small scale and ancillary undertakings on the basis of information available with the Company.

- 22) The Company has not received any intimation from suppliers regarding their status under the Micro, Small and Medium Enterprises Development Act, 2006 and hence disclosures if any, relating to amounts unpaid as at the year end together with the interest paid / payable as required under the said Act have not been given.
- 23) Miscellaneous Expenditure to the extent not written off includes Rs.52.55 lakhs on account of product registration charges.
- 24) Previous year's figures have been regrouped and reclassified wherever necessary.

As per our Report attached

For **Patkar & Pendse**  
*Chartered Accountants*

**BM Pendse**  
*Partner*  
M. No. 32625

Mumbai : October 18, 2007

**Jagdish B Salian**  
*Company Secretary*

**Suresh G Kare**  
*Chairman & Mg. Director*

**FX Coutinho**  
**Sundeep V Bambolkar**  
**Aditi Kare Panandikar**  
*Whole Time Directors*

Mumbai : October 18, 2007



## Statement Pursuant to Part IV to the Companies Act, 1956

### 22) Balance Sheet Abstract and Company's General Business Profile :

(I) Registration Details –	
Registration No.....	5913
State Code.....	11
Balance Sheet Date .....	30-06-2007
(II) Capital raised during the year ( <i>Amount in Rs Lakhs</i> ) –	
Public Issue.....	–
Rights Issue.....	–
Bonus Issue.....	–
(III) Position of Mobilisation and Deployment of Funds ( <i>Amount in Rs Lakhs</i> ) –	
Total Liabilities.....	28926
Total Assets.....	28926
<i>Sources of Funds –</i>	
Paid-up Capital.....	1182
Shares Capital Suspense .....	47
Reserves & Surplus.....	22073
Secured Loans.....	3482
Unsecured Loans.....	73
Deferred Tax Liability.....	2069
<i>Application of Funds –</i>	
Net Fixed Assets .....	16875
Investments .....	–
Net Current Assets .....	11998
Miscellaneous Expenditure .....	53
Accumulated Losses .....	–
(IV) Performance of Company ( <i>Amount in Rs Lakhs</i> ) –	
Total Income .....	33082
Total Expenditure .....	28421
Profit Before Tax .....	4661
Profit After Tax.....	4204
Earnings per share in Rs. ....	35.21
Dividend % .....	65%
(V) Generic Names of Three Principal Products/Services of the Company ( <i>as per monetary terms</i> ) –	
Item Code No (ITC Code) .....	30049093
Product Description .....	FEBREX PLUS SYRUP
Item Code No (ITC Code) .....	30042070
Product Description .....	VEPAN TABLETS
Item Code No (ITC Code) .....	30049039
Product Description.....	CYCLOPAM TABLETS

As per our Report attached

For **Patkar & Pendse**  
*Chartered Accountants*

**BM Pendse**  
*Partner*  
M. No. 32625

Mumbai : October 18, 2007

**Suresh G Kare**  
*Chairman & Mg. Director*

**FX Coutinho**  
**Sundeep V Bambolkar**  
**Aditi Kare Panandikar**  
*Whole Time Directors*

Mumbai : October 18, 2007

## Cash Flow Statement for the year ended 30th June, 2007

	<i>Current Year</i> <i>Rs lakhs</i>	<i>Previous Year</i> <i>Rs lakhs</i>
<b>A) Cash Flow from Operating Activities :</b>		
Net Profit before tax and extraordinary items	<b>4,820.50</b>	3,984.03
Adjustments for :		
a) Depreciation	<b>902.53</b>	595.29
b) Profit on Sale of Fixed Assets	<b>(60.89)</b>	(91.25)
c) Profit on Sale of Investment	<b>(5.49)</b>	(146.40)
d) Loss on Sale of Fixed Assets	<b>8.44</b>	2.60
e) Loss on Sale of Investments	<b>1.08</b>	1.12
f) Investments written off	<b>17.45</b>	-
g) Goodwill on amalgamation written off	<b>31.50</b>	-
h) Deferred Expenses written off	<b>53.07</b>	113.27
i) Deferred Expenses paid during the year	<b>(17.51)</b>	(61.19)
j) Sundry Balance written back	<b>(6.65)</b>	(23.08)
k) Interest Income	<b>(56.85)</b>	(236.08)
l) Dividend received on Investments	<b>(15.87)</b>	(68.02)
m) Unrealised Foreign Exchange (Gain) / Loss	<b>(17.57)</b>	4.33
n) Interest Expense	<b>508.66</b>	352.41
	<b><u>1,341.90</u></b>	<u>443.00</u>
Operating Profit before Working Capital Change	<b>6,162.40</b>	4,427.03
Adjustments for :		
a) Trade and Other Receivables	<b>(3,901.10)</b>	(2,754.37)
b) Inventories	<b>(118.72)</b>	(271.71)
c) Trade Payables and Other Liabilities	<b>(753.60)</b>	846.01
	<b><u>(4,773.42)</u></b>	<u>(2,180.07)</u>
Cash generated from Operations	<b>1,388.98</b>	2,246.96
Tax paid	<b>(382.24)</b>	(674.42)
Net Cash generated from Operating Activities Before Extra Ordinary Items.... (A)....	<b>1,006.74</b>	1,572.54
Extra Ordinary Items - VRS	<b>(159.16)</b>	-
Net Cash generated from Operating Activities	<b>847.58</b>	1,572.54
<b>B) Cash Flow from Investing Activities :</b>		
a) Purchases of Fixed Assets (incl. CWIP)	<b>(1,586.49)</b>	(3,018.13)
b) Sale of Fixed Assets	<b>80.40</b>	104.06
c) Purchases of Investments	<b>(1,805.65)</b>	(5,974.35)
d) Sale of Investments	<b>1,590.59</b>	9,493.75
e) Interest Received	<b>283.99</b>	98.34
f) Dividend received on Investments	<b>15.87</b>	68.02
g) Proceeds of State Subsidy	<b>25.00</b>	-
Net Cash (used in) / generated from Investing Activities .... (B)....	<b>(1,396.29)</b>	771.69

## Cash Flow Statement for the year ended 30th June, 2007 (Contd.)

	<i>Current Year Rs lakhs</i>	<i>Previous Year Rs lakhs</i>
<b>C) Cash flow from Financing Activities :</b>		
a) Interest Paid	(476.32)	(345.19)
b) Dividend Paid	(840.81)	(672.83)
c) Proceeds from CC/WCDL Demand Loans	1,247.20	-
d) Repayment of CC/WCDL Demand Loans	-	(521.01)
e) Repayment of Short Term borrowings	(197.66)	(451.62)
f) Proceeds from Overdraft Facility	244.58	-
g) Repayment of Overdraft Facility	-	(469.36)
h) Repayment of Term borrowings	(773.27)	(211.91)
Net Cash used in Financing Activities ....(C)....	<u>(796.28)</u>	<u>(2,671.92)</u>
<b>Net Decrease in Cash or Cash equivalents ... (A + B + C)</b>	<u><u>(1,344.99)</u></u>	<u><u>(327.69)</u></u>
Cash and Cash equivalents (Opening)	2,462.97	2,790.66
Cash and Cash equivalents acquired on amalgamation	424.55	-
Cash and Cash equivalents (Closing)	1,542.53	2,462.97
Cash and Cash equivalents Comprise :		
Cash on hand	23.31	8.11
Balance with Scheduled Banks :		
(a) In Current Accounts	1,003.96	996.74
(b) In Fixed Deposit Accounts	402.06	1,349.26
(c) In Margin Accounts	105.00	102.72
(d) In Unpaid Dividend Accounts	8.20	6.14
	<u><u>1,542.53</u></u>	<u><u>2,462.97</u></u>

*Notes :*

- The above Cash Flow Statement has been prepared under "Indirect Method" set out in AS-3, issued by Institute of Chartered Accountants of India.
- Figures in brackets indicate cash outgo.
- The above cash flow statement excludes assets (other than cash and cash equivalents) / liabilities acquired on amalgamation of La Nova Chem (India) Private Ltd., Indoco Healthcare Ltd. and SPA Pharmaceuticals Pvt. Ltd.

As per our Report attached

For **Patkar & Pendse**  
*Chartered Accountants*

**BM Pendse**  
*Partner*  
M. No. 32625

Mumbai : October 18, 2007

**Suresh G Kare**  
*Chairman & Mg. Director*

**FX Coutinho**  
**Sundeep V Bambolkar**  
**Aditi Kare Panandikar**  
*Whole Time Directors*

Mumbai : October 18, 2007

## Financial Highlights

(Rs lakhs)

	2006-07 *	2005-06 **	2004-05 **	2003-04	2002-03
<b>OPERATING RESULTS</b>					
Net Sales and Other Income	33,081.68	25,067.42	19,895.19	16,037.02	12,997.35
Material Cost	14,304.24	10,155.63	8,104.48	6,333.63	5,215.25
Staff Cost	3,415.46	2,702.88	2,134.32	1,996.04	1,735.48
Manufacturing, Administrative and Selling Expenses	8,585.62	6,701.07	5,169.77	4,237.33	3,632.55
R&D Expenses	544.65	222.72	184.31	111.46	98.51
Interest	508.68	357.24	203.40	154.37	223.58
Depreciation	902.53	632.28	434.11	295.79	286.67
VRS Expenditure	159.16	–	–	–	–
Profit before tax	4,661.34	4,295.60	3,664.80	2,908.40	1,805.31
Provision For Taxation	875.72	1,146.52	1,160.57	782.34	338.16
MAT Credit Entitlement	(418.20)	–	–	–	–
Profit after Tax	4,203.82	3,149.08	2,504.23	2,126.06	1,467.15
Retained Earnings	3,269.46	2,306.60	1,830.24	1,628.56	1,268.15
Earnings Per Share	35.21	26.64	24.55	24.10	15.92
Book Value	189.65	167.81	148.30	99.79	81.32
Debt : Equity Ratio	0.15	0.18	0.28	0.29	0.38
<b>FINANCIAL SUMMARY</b>					
<b>ASSETS EMPLOYED</b>					
Fixed Assets : Gross	20,671.85	16,555.75	10,393.57	6,510.49	6,074.18
: Net	16,875.42	14,353.79	9,614.48	4,792.95	4,635.83
Investments	0.30	633.53	4,007.65	74.53	100.38
Net Current Assets	11,997.75	10,141.36	9,721.10	6,998.60	5,515.72
Miscellaneous Expenditure (to the extent not written-off)	52.55	88.00	140.09	36.78	60.22
<b>Total Assets</b>	<b>28,926.02</b>	<b>25,216.68</b>	<b>23,483.32</b>	<b>11,902.86</b>	<b>10,312.15</b>
<b>FINANCED BY</b>					
Share Capital	1,182.17	1,182.17	1,182.17	882.00	882.00
Share Capital Suspense	46.50	–	–	–	–
Reserves	22,072.95	18,655.88	16,349.30	7,919.10	6,290.56
Total Shareholders' Funds	23,301.62	19,838.05	17,531.47	8,801.10	7,172.56
Borrowings	3,555.24	3,625.95	4,975.52	2,570.00	2,725.17
Deferred Tax	2,069.16	1,752.68	976.33	531.76	414.42
<b>Total Fund</b>	<b>28,926.02</b>	<b>25,216.68</b>	<b>23,483.32</b>	<b>11,902.86</b>	<b>10,312.15</b>

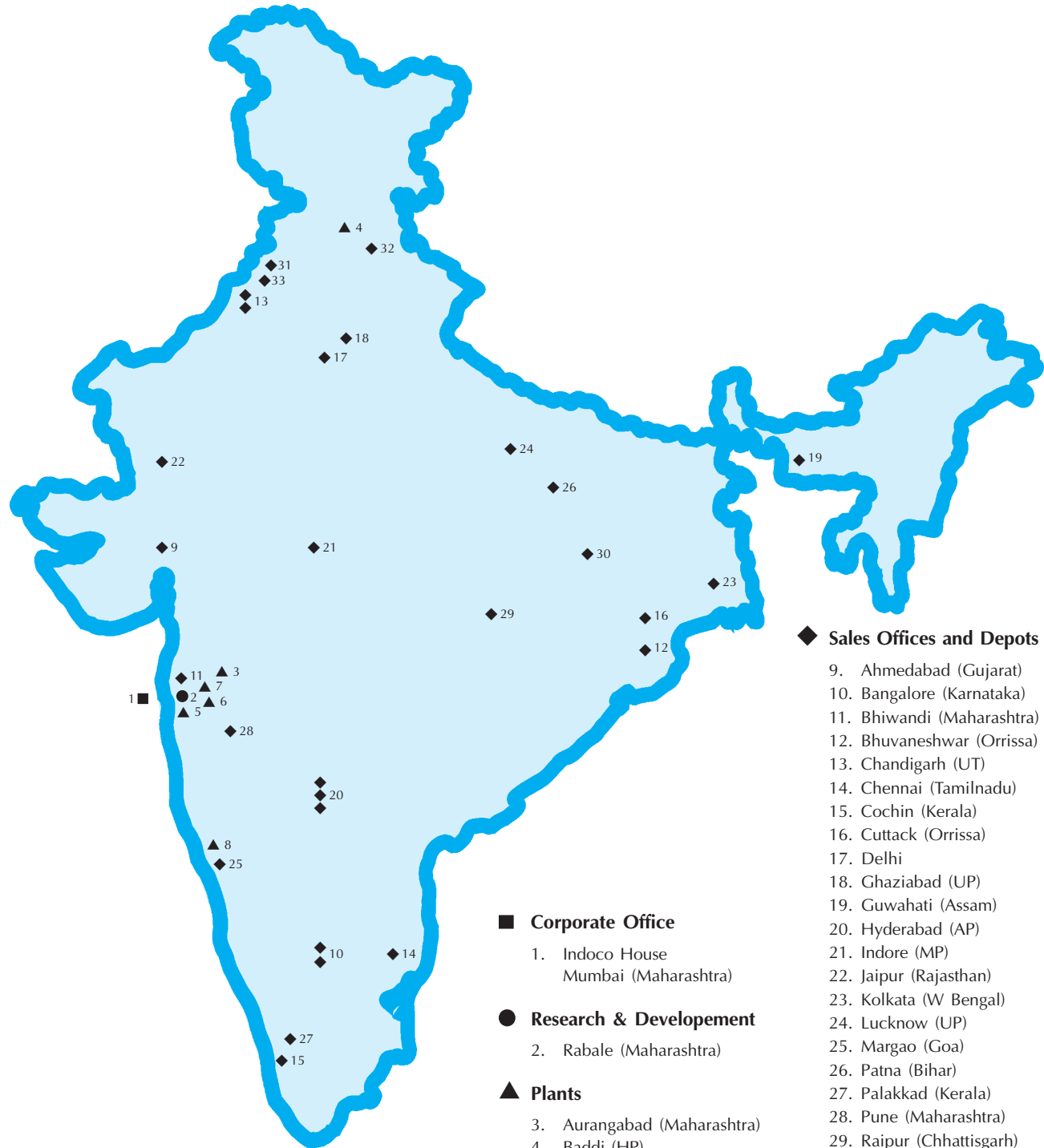
\* Merged Accounts

\*\* Consolidated Accounts





## ALL INDIA NETWORK



■ **Corporate Office**

- 1. Indoco House  
Mumbai (Maharashtra)

● **Research & Development**

- 2. Rabale (Maharashtra)

▲ **Plants**

- 3. Aurangabad (Maharashtra)
- 4. Baddi (HP)
- 5. Patalganga (Maharashtra)
- 6. Rabale (Maharashtra)
- 7. Tarapur (Maharashtra)
- 8. Verna Plant I & Plant II (Goa)

◆ **Sales Offices and Depots**

- 9. Ahmedabad (Gujarat)
- 10. Bangalore (Karnataka)
- 11. Bhiwandi (Maharashtra)
- 12. Bhuvaneshwar (Orissa)
- 13. Chandigarh (UT)
- 14. Chennai (Tamilnadu)
- 15. Cochin (Kerala)
- 16. Cuttack (Orissa)
- 17. Delhi
- 18. Ghaziabad (UP)
- 19. Guwahati (Assam)
- 20. Hyderabad (AP)
- 21. Indore (MP)
- 22. Jaipur (Rajasthan)
- 23. Kolkata (W Bengal)
- 24. Lucknow (UP)
- 25. Margao (Goa)
- 26. Patna (Bihar)
- 27. Palakkad (Kerala)
- 28. Pune (Maharashtra)
- 29. Raipur (Chhattisgarh)
- 30. Ranchi (Jharkhand)
- 31. Rohtak (Harayana)
- 32. Roorkee (Uttaranchal)
- 33. Zirakpur (Punjab)





## ELECTRONIC CLEARING SERVICES (ECS) MANDATE FORM

INDOCO REMEDIES LIMITED  
Indoco House, 166 CST Road,  
Kalina, Santacruz (E), Mumbai - 400 098.

Dear Sirs,

### FORM FOR ELECTRONIC CLEARING SERVICES FOR PAYMENT OF DIVIDEND

Please fill in the information in CAPITAL LETTERS in ENGLISH ONLY

#### For shares held in physical form

Master Folio No.

#### For shares held in electronic form

DP. Id

Client Id

<b>FOR OFFICE USE ONLY</b>
ECS Ref. No. <input style="width: 80%;" type="text"/>

Name of Sole / First holder \_\_\_\_\_

Bank Name \_\_\_\_\_

Branch Name \_\_\_\_\_

Branch Code

(9 Digits Code Number appearing on the MICR Band of the cheque supplied by the Bank). Please attach a xerox copy of a cheque or a blank cheque of your bank duly cancelled for ensuring accuracy of the banks name, brach name and code number.

Account type [Please Tick (✓) wherever applicable] →  Savings  Current  Cash Credit

A/c. No. (as appearing in the cheque book) →

Effective date of this mandate →

I, hereby declare that the particulars given above are correct and complete. If any transaction is delayed or not effected at all for reasons of incompleteness or incorrectness of information supplied as above, the Company/Intime Spectrum Registry Limited, will not be held responsible. I agree to avail the ECS facility provided by RBI, as and when implemented by RBI/Indoco Remedies Limited.

I further undertake to inform the Company any change in my Bank/branch and account number.

Dated : \_\_\_\_\_

(Signature of Sole / First holder)

Note : 1) Whenever the Shares in the given folio are entirely dematerialised, then this ECS mandate form will stand rescinded.

2) For shares held in dematerialised mode nomination is required to be filed with the Depository Participant in their prescribed form.





## INDOCO REMEDIES LIMITED

INDOCO HOUSE, 166 CST ROAD, KALINA, SANTACRUZ (E), MUMBAI - 400 098.

### PROXY FORM

#### 60th Annual General Meeting – December 22, 2007

DP ID

Regd. Folio No./Client ID

No. of Shares

I/We ..... of ..... in the district of ..... being a Member / Members of the Company hereby appoint ..... of ..... in the district of ..... or failing him/her ..... of ..... in the district of ..... as my/our Proxy to vote for me / us on my / our behalf at the **60th Annual General Meeting** of the Company to be held at MIG Cricket Club, MIG Colony, Bandra (E), Mumbai - 400 051 on Saturday, December 22, 2007 at 10.00 am or at any adjournment(s) thereof.

Signed this ..... day of ..... 2007

Signed .....

Affix  
Rupee 1/-  
Revenue  
Stamp

*Note : This form, in order to be effective, should be duly completed, stamped, signed and deposited at the Registered Office of the Company not less than 48 hours before the meeting.*

## INDOCO REMEDIES LIMITED

INDOCO HOUSE, 166 CST ROAD, KALINA, SANTACRUZ (E), MUMBAI - 400 098.

### ATTENDANCE SLIP

#### 60th Annual General Meeting – December 22, 2007

DP ID

Regd. Folio No./Client ID

No. of Shares

I certify that I am a member/proxy for the member of the Company.

I hereby record my presence at the **60th Annual General Meeting** of the Company at MIG Cricket Club, MIG Colony, Bandra (E), Mumbai - 400 051 on Saturday, December 22, 2007 at 10.00 am

.....  
Name of the Member / Proxy  
(in BLOCK letters)

.....  
*Signature of Member / Proxy*

**Note:** Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of the Annual Report to the meeting.